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HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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Publications

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1-19

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WEDNESDAY, JUNE 10, 1964

TUESDAY, JUNE 16, 1964

WEDNESDAY, JUNE 17, 1964

MARCH 1965

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Respecting

**ANNUAL REPORT—CANADIAN NATIONAL RAILWAYS**

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WITNESSES:

The Honourable John Whitney Pickersgill, Minister of Transport.

*From the Canadian National Railways:* Messrs. Donald Gordon, President;  
R. T. Vaughan, Secretary; J. L. Toole, Vice-President, Accounting  
and Finance; J. W. Demcoe, Vice-President, Transportation and  
Maintenance.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

*Vice-Chairman:* James Brown, Esq.

and Messrs.

Addison,  
Armstrong,  
<sup>5</sup>Asselin (Notre-Dame-  
de-Grâce),  
Balcer,  
Basford,  
Beaulé,  
Béchar,  
<sup>7</sup>Bélanger,  
Bell,  
Berger,  
Boulanger,  
Cadieu (Meadow Lake),  
Cameron (Nanaimo-  
Cowichan-The Islands),  
Cantelon,  
Cooper,  
Cowan,  
Crossman,  
Crouse,  
Émard,  
Fisher,

Foy,  
Godin,  
Granger,  
<sup>2</sup>Greene,  
Guay,  
Horner (Acadia),  
Howe (Wellington-  
Huron),  
Irvine,  
Kennedy,  
Kindt,  
Korchinski,  
Lachance,  
Lamb,  
Laniel,  
Latulippe,  
Lessard (Saint-Henri),  
<sup>4</sup>Macaluso,  
MacEwan,  
Mackasey,  
Marcoux,

Matte,  
McBain,  
McNulty,  
Millar,  
Olson,  
Orlikow,  
Pascoe,  
Prittie,  
Rapp,  
Regan,  
Richard,  
<sup>3</sup>Rideout,  
Rock,  
Ryan,  
Southam,  
Stefanson,  
Stenson,  
Tucker,  
<sup>1</sup>Watson (Châteauguay-  
Huntingdon-Laprairie),  
<sup>6</sup>Willoughby—60.

(Quorum 12)

Maxime Guitard,  
*Clerk of the Committee.*

<sup>1</sup>Mr. Macdonald replaced Mr. Watson (Châteauguay-Huntingdon-Laprairie), on June 8, 1964.

<sup>2</sup>Mr. Brown replaced Mr. Greene, on June 8, 1964.

<sup>3</sup>Mr. Lloyd replaced Mr. Rideout, on June 8, 1964.

<sup>4</sup>Mr. Hahn replaced Mr. Macaluso, on June 8, 1964.

<sup>5</sup>Mr. Cantin replaced Mr. Asselin (Notre-Dame-de-Grâce), on June 8, 1964.

<sup>6</sup>Mr. Rhéaume replaced Mr. Willoughby, on June 11, 1964.

<sup>7</sup>Mr. Grégoire replaced Mr. Bélanger, on June 12, 1964.





## ORDERS OF REFERENCE

FRIDAY, April 10, 1964.

Resolved,—That the following Members do compose the Standing Committee on Railways, Canals and Telegraph Lines:

Messrs.

Addison,	Foy,	Matte,
Armstrong,	Godin,	McBain,
Asselin (Notre-Dame-de-Grâce),	Granger,	McNulty,
Balcer,	Greene,	Millar,
Basford,	Guay,	Olson,
Beaulé,	Horner (Acadia),	Orlikow,
Béchar, d,	Howe (Wellington-Huron),	Pascoe,
Bélanger,	Irvine,	Prittie,
Bell,	Kennedy,	Rapp,
Berger,	Kindt,	Regan,
Boulanger,	Korchinski,	Richard,
Cadieu (Meadow Lake),	Lachance,	Rideout,
Cameron (Nanaimo-Cowichan-The Islands),	Lamb,	Rock,
Cantelon,	Laniel,	Ryan,
Cooper,	Latulippe,	Southam,
Cowan,	Lessard (Saint-Henri),	Stefanson,
Crossman,	Macaluso,	Stenson,
Crouse,	MacEwan,	Tucker,
Émard,	Mackasey,	Watson (Châteauguay-Huntingdon-Laprairie),
Fisher,	Marcoux,	Willoughby—60.

(Quorum 20)

WEDNESDAY, March 11, 1964.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House; and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

MONDAY, June 8, 1964.

Ordered,—That the names of Messrs. Macdonald, Brown, Lloyd, Hahn, and Cantin be substituted for those of Messrs. Watson (Châteauguay-Huntingdon-Laprairie), Greene, Rideout, Macaluso, and Asselin (Notre-Dame-de-Grâce) respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, June 10, 1964.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to print such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto; that it be given leave to sit while the House is sitting; and that its quorum be reduced from 20 to 12 members and that Standing Order 65(1)(b) be suspended in relation thereto.



WEDNESDAY, June 10, 1964.

*Ordered*,—That the Annual Reports of 1963 of the Canadian National Railways and of the Canadian National Railways Securities Trust, the Auditors' Report to Parliament for 1963 in respect of the Canadian National Railways, tabled on April 7, 1964, the Budget for 1964 of the Canadian National Railways, tabled on March 30, 1964, the Annual Report of Trans-Canada Air Lines for 1963, the Auditors' Report to Parliament for 1963 in respect of Trans-Canada Air Lines, tabled on March 6, 1964, and the Budget for 1964 of Trans-Canada Air Lines, tabled on February 28, 1964, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

THURSDAY, June 11, 1964.

*Ordered*,—That the name of Mr. Rhéaume be substituted for that of Mr. Willoughby on the Standing Committee on Railways, Canals and Telegraph Lines.

FRIDAY, June 12, 1964.

*Ordered*,—That the name of Mr. Grégoire be substituted for that of Mr. Bélanger on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*



## REPORT TO THE HOUSE

WEDNESDAY, June 10, 1964.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its:

### FIRST REPORT

Your Committee recommends:

1. That it be empowered to print such papers and evidence as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto;
2. That it be given leave to sit while the House is sitting;
3. That its quorum be reduced from 20 to 12 members, and that Standing Order 65(1) (b) be suspended in relation thereto.

Respectfully submitted,

JEAN-T. RICHARD,  
*Chairman.*

*(Concurred in the same day.)*





## MINUTES OF PROCEEDINGS

WEDNESDAY, June 10, 1964.

(1)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:37 o'clock a.m. this day, for organization purposes.

*Members present:* Messrs. Addison, Armstrong, Balcer, Bélanger, Berger, Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan. Crossman, Crouse, Godin, Granger, Hahn, Howe (*Wellington-Huron*), Lamb, Laniel, Macdonald, Mackasey, Marcoux, Matte, McNulty, Millar, Pascoe, Prittie, Rapp, Richard, Rock, Stefenson, Willoughby—30.

The Clerk of the Committee attended the election of the Chairman.

Mr. Berger moved, seconded by Mr. Crossman,

That Mr. Jean T. Richard be Chairman of this Committee.

Mr. Hahn moved, seconded by Mr. Prittie, that the nominations do now close.

There being no other nominations, the Clerk of the Committee declared Mr. Richard duly elected Chairman and invited him to take the Chair.

The Chairman thanked the Committee for the honour conferred on him.

Mr. Godin moved, seconded by Mr. McNulty,

That Mr. Brown be Vice-Chairman of this Committee.

Mr. Mackasey moved, seconded by Mr. Laniel,

That nominations do now close.

The Chairman declared Mr. Brown duly elected Vice-Chairman of this Committee.

On Motion of Mr. Howe (*Wellington-Huron*), seconded by Mr. Godin,

*Resolved:*—That a Subcommittee on Agenda and Procedure be appointed by the Chairman after usual consultations with the whips of the different parties.

On motion of Mr. Macdonald, seconded by Mr. Rock,

*Resolved:*—That the Committee be empowered to print such papers and evidence as may be ordered by the Committee.

On motion of Mr. Rock, seconded by Mr. Granger,

*Resolved:*—That the Committee seek permission to sit while the House is sitting.

On motion of Mr. Prittie, seconded by Mr. Mackasey,

*Resolved:*—That the quorum be reduced from 20 to 12 members.

At 9:50 o'clock a.m. Mr. Rock moved, seconded by Mr. Matte,

That the Committee adjourn to the call of the Chair.

TUESDAY, June 16, 1964.

(2)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:02 o'clock this day. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Messrs. Addison, Balcer, Béchard, Berger, Brown, Cadieu, Cantelon, Cantin, Cowan, Crossman, Fisher, Godin, Granger, Grégoire, Hahn, Horner (*Acadia*), Howe (*Wellington-Huron*), Kindt, Korchinski, Lamb, Lloyd, Lessard (*Saint-Henri*), Macdonald, MacEwan, Mackasey, Matte, McBain, McNulty, Pascoe, Prittie, Rapp, Regan, Rhéaume, Richard, Rock, Southam, Stefanson—37.

*Also present:* The Honourable John Whitney Pickersgill, Minister of Transport.

*In attendance:* From Canadian National Railways: Messrs Donald Gordon, President, R. T. Vaughan, Secretary, J. L. Toole, Vice-President of Accounting and Finance, J. W. Demcoe, Vice-President, Transportation and Maintenance.

The Chairman opened the meeting.

On motion of Mr. Lessard (*Saint-Henri*), seconded by Mr. Grégoire,

*Resolved:*—That the Committee print 850 copies in English and 400 copies in French of its Minutes of Proceedings and Evidence.

Mr. Grégoire moved, seconded by Mr. Addison,

That the Committee do not sit while the House is sitting on the flag issue.

After debate thereon, the question being put on the said motion, it was, by a show of hands, negatived; Yeas: 12, Nays: 15.

The Chairman instructed the Clerk of the Committee to read the Order of Reference.

The Chairman welcomed the officials of the Canadian National Railways and in particular Mr. Donald Gordon, President, whom he invited to read the 1963 Canadian National Railways Annual Report. Then the Committee proceeded to consider this Report, section by section.

And the examination of the witnesses continuing on the first section intitled "Financial Review", at 12:27 o'clock p.m. the Committee adjourned until 4:00 o'clock p.m. this afternoon.

## AFTERNOON SITTING

(3)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 4:06 o'clock p.m. this afternoon. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Messrs. Armstrong, Beaulé, Béchard, Brown, Cadieu, Cantelon, Cantin, Cooper, Crouse, Émard, Fisher, Granger, Grégoire, Horner (*Acadia*), Howe (*Wellington-Huron*), Kindt, Korchinski, Lachance, Lloyd, Lessard (*Saint-Henri*), Macdonald, MacEwan, Matte, McNulty, Pascoe, Prittie, Rapp, Regan, Rhéaume, Richard, Ryan, Southam, Stefanson, Stenson (34).

*Also present:* The Honourable John Whitney Pickersgill, Minister of Transport.

*In attendance:* The same as at this morning's sitting.



The Committee resumed consideration of section intituled "Financial Review" of the 1963 Canadian National Railways Annual Report.

And the examination of the witnesses continuing, at 5:55 o'clock p.m. the Committee adjourned until 8:00 o'clock p.m. this evening.

## EVENING SITTING

(4)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 8:16 o'clock p.m. this evening. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Messrs. Beaulé, Brown, Cantin, Cooper, Émard, Fisher, Granger, Horner (*Acadia*), Howe (*Wellington-Huron*), Korchinski, Lachance, Lloyd, Macdonald, MacEwan, Pascoe, Prittie, Richard, Southam, Stenson (19).

*In attendance:* The same as at this morning's and afternoon's sittings.

The Committee resumed consideration of section intituled "Financial Review" of the 1963 Canadian National Railways Annual Report.

On Motion of Mr. Prittie, seconded by Mr. Fisher,

*Resolved:*—That the section intituled "Financial Review" of the 1963 Canadian National Railways Annual Report be adopted as read.

At 9:50 o'clock p.m. the Committee adjourned until tomorrow at 3:30 o'clock p.m.

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WEDNESDAY, June 17, 1964.

(5)

The Standing Committee on Railways, Canals and Telegraph Lines met at 3:42 o'clock p.m. this afternoon. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Messrs. Beaulé, Brown, Cadieu, Cantin, Cooper, Cowan, Crossman, Crouse, Émard, Fisher, Granger, Grégoire, Horner (*Acadia*), Howe (*Wellington-Huron*), Irvine, Kennedy, Korchinski, Lloyd, Macdonald, MacEwan, Mackasey, Marcoux, Matte, McNulty, Millar, Pascoe, Prittie, Rheaume, Richard, Rock, Southam, Stenson (32).

*In attendance:* From the *Canadian National Railways*: Messrs. Donald Gordon, President, R. T. Vaughan, Secretary, J. L. Toole, Vice-President, Accounting and Finance, J. W. Demcoe, Vice-President, Transportation and Maintenance.

The Committee resumed consideration of the section intituled "Development" of the 1963 Canadian National Railways Annual Report.

By unanimous consent, the witness, Mr. Gordon, was granted permission to have printed as appendices to today's Minutes of Proceedings and Evidence; the following documents:

"Grain on the Move"

"Canadian National Railways Proposed Line Abandonment—Example Subdivision Prairie Region"

The Committee agreed unanimously, that the section intituled "Development" of the 1963 Canadian National Railways Annual Report be adopted as read.

And the examination of the witnesses continuing, at 5:52 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. tomorrow morning.

Maxime Guitard,  
*Clerk of the Committee.*

*(See Appendices A and B to this day's Minutes of Proceedings).*



## APPENDIX A

## "GRAIN ON THE MOVE"

An address by Donald Gordon, C.M.G., Chairman and President, Canadian National Railways, to the Canadian Club, Winnipeg, Manitoba  
September 26, 1962

If it were not for the fact that I can look back over a period filled with action, I would find it hard to believe that six years have passed since I last visited your Club to speak about the railroad industry and to give you a report on progress by Canadian National Railways. Consequently, while I begrudge the swift passage of time, I must accept it as a necessary ingredient of progress and regret only that I have not found it possible to meet more frequently with you to keep in repair the many friendships and business associations that have so long been available to me in the friendly city of Winnipeg.

The opening of our new Symington Yard here yesterday is symbolic of the many changes that have taken place in Manitoba and across the CN System since I addressed your Club in 1956. In this city where East meets West, the yard has been well named after Herbert J. Symington, who, as a young man, arrived here for a visit and remained for twenty-three years to become a prominent Winnipeg lawyer before moving East, where he served as a Director of Canadian National for twenty years. His outstanding contributions to the transportation industry on land and in the air, and to the public interest of Canada, rate him as one of the great Canadians of his generation.

This push-button electronic hump yard, the third of its kind to be completed in Canada by Canadian National, permits us to service, sort and send out up to 6,000 freight cars a day and equips us to provide faster rail shipments to, from and through the West. In addition to the construction of Symington Yard, one of the most advanced marshalling yards in the world, we have completed recently at Transcona a three-year program of shop consolidation and modernization, resulting in greatly improved and streamlined operations in our motive power and car shops that have served Western Canada for half a century.

Just before I last spoke to your Club, Canadian National had completed construction of a 144-mile rail line to Lynn Lake. Since that time—including the new track mileage to Lynn Lake and upon completion of an eight-mile CN railway extension to Stall Lake to serve the Hudson Bay Mining and Smelting Company's new property there—Canadian National will have driven about 240 miles of new track into Manitoba's northern frontiers in a period of less than ten years. We have laid probably more new track in recent years than any other railroad in North America.

Rail resource lines constructed in Western Canada include a 46-mile line to the great aluminum development at Kitimat, B.C., completed in 1955; a 32-mile line to INCO's new nickel find at the new townsite of Thompson, completed in 1957; a 52-mile branch line to the Hudson Bay Smelting Company's mine at Chisel Lake, completed in 1960; and a 23-mile line currently under construction from Whitecourt to the Pan American Petroleum Corporation's plant at Windfall, Alberta.

Last month we began laying track on the 430-mile Great Slave Lake Railway, designed to move to market the long known lead and zinc resources located at Pine Point near Great Slave Lake in the Northwest Territories, and at the same time open up for development agricultural and other natural resources in the area.

The important factor about these CN-built resource railroads is that they aid the greater industrial and economic diversification of Western Canada. And the same is true of the many new rail facilities also constructed or under way for a similar purpose in Eastern Canada. When all are completed, the cost of branch lines built by Canadian National to serve resource industries across Canada since World War II will amount to nearly \$200 million.

These developments may not seem exciting when one considers the recent feats of men and machines in the new Space Age. However, before we look to new horizons in space, Canadians have many problems to resolve in the management and development of their heritage in acreage and resources right here on earth. Canadians are faced urgently with the need to develop their latent talents, their energies and their skills if our people are to be kept in gainful employment and rewarded with an acceptable standard of living. This need must be viewed against the background of an increasingly competitive trading world, where new techniques and radical rearrangements of political alignments—actual and potential—affecting our traditional and most important customers, pose a challenge that we dare not ignore. Our prosperity, nay our very existence, as a free and prosperous nation is dependent on how we use the resources we are blessed with and, also, the qualities of mind and spirit that we bring to the challenging task of finding our rightful place in this world of cataclysmic change.

It has been said that fools rush in where angels fear to tread, an adage you may well say I should keep in mind when I presume to speak about the history of grain handling and contemporary practices in the City of Winnipeg, where I should expect to meet an audience of experts. However, I wish to provoke discussion on this subject because I believe it is so important to the national interest that it overcomes my ingrained diffidence about appearing as a special pleader in a field where others have a better claim to expert knowledge.

Since the days when the "Iron Horse" first established a communication system between Canada's early and remote settlements, and so made Confederation possible, all of the physical resources that our country has had to manage were—until very recently—inevitably linked with the nation's railways. Nowhere has this been more true than in Western Canada.

Today it is hard to realize that the fur trade was the primary industry of this area less than one hundred years ago, and remained largely so until the arrival of the railways. It is, in fact, less than one hundred years since the Hudson's Bay Company surrendered its territorial rights over Rupert's Land. There are actually many people alive today who lived when the first wheat moved out of the Prairies—only eighty-six years ago! The pace of change is ironically emphasized by the fact that this first shipment consisted of seed grain to improve the quality of the Ontario crop in an age when wheat was the primary product of that province, and Toronto the grain capital of Canada!

That first movement of wheat from this city occurred on October 12, 1876, or two years before the arrival of the first railway in the Winnipeg area, which was to link this city with St. Paul, Minnesota. The shipment, according to the records, consisted of 857-and- $\frac{1}{8}$ th bushels of wheat, valued at 85 cents a bushel. It was transported by the stern-wheeler "City of Selkirk" down the Red River to Fisher's Landing, Minnesota. From there it went by rail to Duluth, by water again to Sarnia, and once more by rail to Toronto. The first export shipment of wheat from Western Canada was made two years later, in 1878, to Glasgow.

Those eventful years were followed by a period when the railways became the dominant factor in our economic growth, and played an equally important role in the political life of that era. Everywhere there was a sudden



compulsion to occupy the West: rail lines struck forth in every direction, followed by farmers from Ontario and Quebec, and immigrants from Britain and Europe to colonize this new land. Throughout the "Gay Nineties" and until the outbreak of world war in 1914, there evolved in Western Canada a grain handling system based on the country elevator and rail transportation, which was acclaimed the best collection system to be found anywhere in the world.

Railway construction and grain production proceeded hand-in-hand at an unprecedented pace until, by 1914, there was a total of 11,710 miles of new track laid throughout the three Prairie Provinces. The Western grain trade had become firmly established in world markets—and wheat reigned supreme as Canada's major export, based, of course, on Manitoba's "No. 1 Hard".

Yet, despite the fact that there have been many radical and fundamental changes in Western Canada's economy since those explosive years, the system of grain handling established before the first World War—the collection, storage and transport of the Prairie grain crop—has changed very little.

Methods for handling the Prairie grain crop were established in a period when roads were very poor and, in many places, consisted only of Prairie trails. The movement of grain from the farm to the country elevator was by team and wagon, and the railway had a virtual monopoly of land transportation not only because it was the cheapest available means, but also in most instances, the only means available. Since that time, modern highway networks have been established and roads of every description vastly improved. There are today about 21,000 miles of good highways throughout the three Prairie provinces, and this figure does not take into account many more thousands of miles of municipal and market roads.

The highway truck has been perfected so that its operating costs have greatly decreased. At the same time the costs of maintaining and operating railway branch lines have increased, largely because the variety and the total volume of traffic carried has declined with increased trucking, the result being that on many branch lines the only remaining traffic is grain. Built when the country was young, many of these smaller lines have outlived their usefulness, now that both truck and automobile have been placed in universal use.

The increase in the use of the motor truck on farms in the three Prairie provinces is dramatically illustrated by figures recently released by the Dominion Bureau of Statistics. According to 1961 census figures, the number of motor trucks on Prairie farms has increased by approximately two-thirds, or by 64 per cent, in only ten years. Automobiles on Prairie farms during that same period, 1951 to 1961, increased by only 8 per cent. Grain combines increased by 61 per cent and tractors by 23 per cent, and these have helped, no doubt, to facilitate more efficient production.

Many of the existing country elevators are now well below the optimum size for the best economic costs of operation and also for the most economic cost of trans-shipment by railways.

Today on a thin-density railway branch line—that is to say, a line that carries almost entirely grain and where the total volume originated is about 1,000 cars for a 60 to 70-mile line over the course of a year—it can cost the railway ten to fifteen cents or more per ton mile to carry grain to the main line, whereas truck costs for the same movement are in the range of four to eight cents per ton mile—or only *half* the cost. Most farmers today, because of the greater mobility provided by the truck, can deliver as much grain to an elevator in one day as they could in one week when they used team and wagon and they often now voluntarily haul their grain longer distances.

There are actually three basic cost factors involved in the grain handling system, to which we should look to trim handling expenses and increase efficiency. First, the cost to the individual farmer in moving his grain to the country elevator varies because of distance. If an integrated trucking system

could be devised between farm and main-line elevators, this cost could be equalized and, as well, produce savings in those over-all handling costs which are pooled. The second factor involves the economies that can be obtained through a program of elevator consolidation that would eliminate those existing elevators that are operating well below the size required to ensure lowest cost operation. The Royal Commission on Transportation, commonly known as the "MacPherson Commission" in honour of its distinguished chairman, has pointed out that operating costs per bushel decrease considerably as the size of elevators increase to provide certain optimum storage space. Finally, there are economies to be obtained by the railways, whose traditional job has been to serve the farmer, elevator owners and the Wheat Board by providing transportation for piecemeal shipments to grain terminals from widely scattered country elevators. Obviously such transportation on thin-density branch lines is costly, thus elevator consolidation on main lines would enable the railway to pick up more cars at one time and reduce transportation and switching costs. And all of this must be considered against the basic fact that a new West has been born—as unlike the old West as the new CNR is unlike its old predecessor lines of that earlier day.

The very nature of Western Canada's economy has changed radically. In Manitoba, both manufacturing and construction trebled after the last war and, by the late fifties, together represented about two-thirds of the total value of physical production. There has been a tremendous growth of mixed farming and processing. Livestock breeding, feeding and finishing have become an important part of Western farm activities, with cattle production increasing every year and quality improving all the time. Here in Manitoba, meat packing has become your largest single production industry, while all manufacturing accounts for nearly 45 per cent of the total net value of provincial production. In Alberta, oil has become the province's major resource industry since the Leduc find in 1947. Mineral exploration and production is expanding every year on the northern frontiers of all three Prairie provinces. Even in Saskatchewan, where wheat production remains the major concern of nearly 80 per cent of the farmers, the province has increased steadily as a producer of non-metallic minerals, such as potash and sodium sulphate. There has also been recent discovery and development of oil and natural gas resources in southern Saskatchewan where oil refining capacity has more than trebled since the last war. The vast irrigation and hydro-electric power development on the South Saskatchewan River promises cheaper power and therefore the means for establishing a broader industrial base in that province.

To keep the new West in perspective, it is important that the nation's railway network should reflect these social and economic changes of recent years and, in doing so, hold transportation costs at a minimum. For in Canada the cost of transportation continues to be an important element in the production costs of our exports which, as you all know, must meet new and more competitive offerings that challenge price, quality, variety and even sales techniques. Nevertheless, in underlining many of the changes which have considerably altered the Prairie economy in recent years, I by no means underestimate the continued value of the West's grain production to our export trade, which contributes so strongly to Canada's position as the world's fifth largest trading nation.

In launching a plan of attack to improve the efficiency and reduce the costs of our grain handling system, it would be essential to look at the over-all system and not merely at each individual part. If each party—that is to say, the growers, the elevator owners, the railways or governments—were to go ahead and make a separate analysis to improve its own cost and method efficiency, the outcome would not necessarily benefit the nation. I believe that the objective of all interested parties should be a program that is good for the nation as a whole—particularly at this critical and increasingly competitive period in our



economic history—and not simply a program that serves each party's short-range activities. The best method of attack appears to be a co-ordinated program on which all parties are prepared to compromise to reach agreement.

In terms of the operational research worker, what is required is a "systems analysis" to determine how a grain gathering and handling system can best be adapted to present and predictable technological changes, taking as its point of departure the historically oriented facilities that exist today and with which we are all familiar. This approach is essential, since it is understandable, and quite in keeping with human nature, that each party involved in the system could attempt to reach an optimum position with regard *only* to the costs or methods with which each is directly concerned—or what the mathematicians and management scientists would call "suboptimization".

By way of an illustration of this rather fearsome sounding word, it will do here to give an example of one part of the collective system—say Canadian National Railways—reducing its operational costs without regard to the impact of its actions on others. Certainly without an over-all plan, or a common objective established in the national interest, Canadian National, as any other business, can only strive as best it can to reduce its own costs and increase its own efficiency even though its action, in isolation, may actually increase individual costs to some farmers or elevator interests. Worse still, isolated or selfish action could well result in a failure to take advantage of each and every type of available method of collecting, transporting and storing grain, thus foregoing economies that could come from large scale co-ordination.

Delay in implementing a better system comes not so much from resistance to change as from want of a framework that ought to be drawn up by the many agencies historically involved in the collection and marketing of the grain crop, and—as I have said—the need for agreement upon an over-all plan. The formulation of a master plan appears to be the job of no *one* authority or agency and, as is so often the situation in human affairs, what is everybody's job becomes nobody's job!

For the purpose of illustration, let me return for a moment to enlarge upon just a few of the questions that arise in the railway industry which need to be taken into account in any over-all plan. There is the fact that delivery quotas for grain vary with storage space available at country elevators, which in turn is affected by terminal accommodation at the Lakehead, the West Coast and Churchill, and by foreign demand. Insufficient capacity at country elevators in a given area creates a situation whereby the Wheat Board, under existing legislation, is faced with the problem of equalizing as fairly as possible by quota the opportunity of farmers in that area to market their grain. Uneconomic rail transportation of the grain almost always results. The railways' difficulties arise from the need of the Wheat Board to create storage capacity in as many country elevators as possible at one time and to ship out of these elevators only such quantities and grades as may be required to afford equality of marketing opportunity to farmers being served by the elevators in question. Expensive shipping costs per carload result. Also, under the present system, it is impossible to predict peak carryings, with the further result that the railways are apt to be tied up with a big investment in idle rolling stock.

Some years ago, rail movement was patterned after the harvest months, when the greatest movements of grain took place in the months of August, September and October, and in marshalling its rolling stock accordingly, the railway's problem then was to provide the equipment necessary to handle the heavy concentration of traffic. An analysis of the period 1951 to 1959, when substantial crops were produced as a result of favourable weather and improved farming methods, shows that in spite of generally favourable world demand, production was substantially higher than this demand and this resulted in large surpluses, making it impossible to predict the pattern of demand for box

cars. During that eight-year period there was a completely haphazard demand for transportation. Only in one year during that period did the peak demand for transportation fall in October: in three of those years, July was the peak month; in two years, May was the peak, and in one year each, June and December were the peak months. These are all questions of practical railway operations and their costs and—coupled with them—the need for a program of co-ordination among all the railways concerned in the discontinuance of uneconomic services.

Apart from these direct railway operational questions is the problem concerning the capital that has been sunk into country elevators—I realize that this is an exceedingly serious problem for the elevator system, including the Pools, United Grain Growers, and the privately and publicly owned elevator companies. The MacPherson Report, in an appendix in the second volume, has made a number of suggestions on this point, including the use of tax incentives and capital cost allowances, to lessen the impact of abandonment on investment tied to rail transport.

In summary, it appears quite clear to me that improved technology and methods already available, if co-ordinated in the national interest, could improve substantially the efficiency of our traditional grain handling facilities in all their aspects. Moreover, research into new techniques and innovations needs sponsorship to ensure that all predictable changes are fully exploited in determining the most sensible course of action. The whole situation is a complex one and is typical of the sort of problem that should be tackled with a systems analysis such as I have suggested.

For the fact is that while improved technology exists or is in the making, and improved methods are entirely feasible, the division of responsibility is such that *action is required* in the form of legislation, financial accommodations, willingness to surrender vested interests and many other practical recognitions. It seems to me that in our democratic system these matters can only be reconciled by voluntary agreement among the many interests involved and, particularly, among those agencies and organizations directly concerned with the collection and marketing of our grain crop—still one of Canada's primary export commodities. It is easy to recoil from the complexities involved, to drift along with the status quo, and to bolster it by subsidies and other methods of assistance. But, I predict that if we do so, our chickens will come home to roost one day and the eventual reckoning will be more costly and more difficult. As a first step it is worthwhile trying to draft a master plan which will outline objectively the facts and the remedies required, and even if it cannot be implemented overnight, it should be possible to blaze the trail towards an agreed objective. The longer a realistic plan is delayed, the more likely it is that each party will be forced to act in its own interests and, as I have already said, fall into the trap of "suboptimization", and therefore not serve the true national interest.

Experience has taught me that vested interest is a jealous guardian and, when complicated by conflicting jurisdictions, it tends towards the extreme in the protection of entrenched positions. But if the broad public interest is to be served for the ultimate benefit of all Canada, then each part of the complex I have described will have to make some concession or compromise to allow first the formulation of a plan, and then the implementation of it, so as to provide an up-to-date and efficient system. I hope that by exposing frankly the need for co-ordinated action I have made some personal contribution towards this end.



## APPENDIX B

## CANADIAN NATIONAL RAILWAYS

Proposed Line Abandonment—Example Subdivision  
Prairie RegionFrom Fictitious (Mile 0.0) to Invention (Mile 60.0)  
Distance—60.0 miles

## 1. GENERAL

- (a) The line from Fictitious to Invention, Saskatchewan, was built by the Western Extension Railway Company in March, 1903, under authority of Province of Saskatchewan, Act 3, Ed. VII, Chapter 67. Under authority of Act 4, Ed. IX, Chapter 5, Dominion of Canada, passed June 25, 1903, the Western Extension Railway Company entered into an agreement of September 28, 1903, to amalgamate with the Canadian Northern Railway Company. This was confirmed by Order-in-Council issued October 12, 1903, and became effective October 23, 1903.

The Canadian Northern Railway Company became part of the Canadian National in 1923.

- (b) The line serves seven settlements, Ponteix, East Dollard, Eston, Kerrobert, Wilkie, Luseland and Invention. Ponteix and East Dollard each have populations of approximately 600, while the other five settlements each have an average of 150 residents. The rural residents are grain farmers. There are no industries located along the line.
- (c) The territory is traversed by a number of good all-weather roads connecting the principal towns and villages. A gravel highway, No. 52, parallels the line over its entire length, at an average distance of six miles.

## 2. CONDITION OF RAILWAY

The condition of this branch line is poor, maintenance expenditures having been held to a minimum. The rail is light averaging 80-85 pounds per yard. Thirty per cent of the ties are treated and are in good condition, the balance, being untreated and 15 years old, are in extremely poor condition. The entire line was originally ballasted with pit run gravel, but this has long since become fouled and is now practically non-existent. A more detailed examination of the condition of this line is found in Exhibit V.

## 3. TRAIN SERVICE

Mixed trains Nos. 583 and 584 operate on a weekly basis, running from Kipling to Fictitious to Invention on Wednesday and from Invention to Fictitious to Kipling on Thursday. Extra trains operated 15 round trips during the year.

After abandonment of this line, five alternate shipping points, as shown on Exhibit VII, will be available on the C. N. Winnipeg-Regina line. The train service is provided by two daily freights operating in each direction.



#### 4. HIGHWAY SERVICE

The towns are well served by commercial trucks as follows:

Station	Trucker	License
Ponteix	John White	GF-STL
	T. C. Jones	GF-LS-STL
East Dollard	John White	GF-STL
	T. C. Jones	GF-LS-STL
Eston	T. C. Jones	GF-LS-STL
Kerrobert	T. C. Jones	GF-LS-STL
Wilkie	John White	GF-STL
Luseland	John White	GF-STL
Invention	T. C. Jones	GF-LS-STL

GF—General Freight

STL—Single Trip Load

LS—Live Stock

There is no bus service in the area. The farmers, on the average, operate a half ton pick-up and a two ton dump-truck for grain deliveries, and a private automobile.

#### 5. TRAFFIC

Inbound traffic consisted of 45 cars of coal, 60 cars of petroleum products, 7 cars of forest products, 5 cars of machinery, 2 cars of fertilizer, and 1 car of cement, while outbound traffic consisted of 600 cars of grain. Express, LCL and Passenger traffic accounted for only  $\frac{1}{16}$ th of the total revenues and therefore should not form a major basis in considering whether abandonment should be granted or not.

The savings to the railroad in the event of abandonment, are actually different than those stated on Exhibit I, as it is certain that some of the traffic will be retained after abandonment of this line. The actual economics are not presented as a time-consuming exhaustive study would have to be done to determine changed shipping trends, volume of traffic retained, revenues and costs.

#### 6. EFFECT ON RAILROAD EMPLOYEES

The abandonment of this line would mean the displacement of eight maintenance-of-way employees. These would be absorbed according to seniority. Although the railroad is considering possible abandonment of many railroads through the country, there will be no major displacement of employees as a policy of orderly retrenchment will be followed whereby physical abandonment will take place over a number of years.

#### 7. IMPENDING CAPITAL EXPENDITURES

If this line is to be kept in service indefinitely, capital expenditures of \$450,000 will have to be made. A new trestle is needed at mile 31.2 (\$30,000), 7.5% of the ties will have to be replaced (\$300,000), and the line will have to be ballasted over its entire length (\$120,000). The railway could continue to operate this line for at most two years, foregoing these capital costs, by utilizing temporary maintenance measures.

#### 8. OPERATING RESULTS

The carload traffic by commodities for the stations on this subdivision and the total system revenues from freight express and passenger services for the year are shown on Exhibit II. Exhibit III shows carload movements by

months. A statement of less-than-carload traffic, by system revenues and tonnage, is shown on Exhibit IV. A statement of operating results on a system basis is shown on Exhibit V. A summary of these exhibits is as follows:

Gross Revenues .....	\$153,229
Total Cost of Operation and Other Expenses .....	362,324
Annual Long Term Financial Betterment if Line Abandoned .....	209,095

Capitalized Value of Annual Betterment at 6.21% \$3,367,069

## EXHIBIT I

CANADIAN NATIONAL RAILWAYS  
SASKATCHEWAN AREA — PRAIRIE REGION

PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION FROM FICTITIOUS  
(MP. 0.0) TO INVENTION (MP. 60.0)

Year 1960.

Statement No. 1

SUMMARY OF REVENUES AND EXPENSES

SYSTEM REVENUES

Freight—Carload.....	\$ 142,429
Freight—L.C.L.....	2,600
Express.....	5,200
Passenger.....	3,000
Communications.....	
Miscellaneous.....	
Total Revenues.....	<u>\$ 153,229</u>

SYSTEMS EXPENSES (Variable with Traffic)..... \$ 173,015

REVENUE AVAILABLE FOR FIXED ON LINE EXPENSES..... \$19,786 (d)

FIXED ON LINE EXPENSES

Average Annual Maintenance.....	\$ 90,316
Average Annual Depreciation.....	35,160
Total Way and Structures.....	<u>\$ 125,476</u>

Station Expenses.....	10,494
Taxes.....	6,000

Total Fixed on Line Expenses..... \$141,970

ANNUAL OUT-OF-POCKET LOSS..... \$ 161,756

ANNUAL GROSS SALVAGE VALUE

Gross Salvage Value.....	\$ 224,600
Annual Savings: (6.21% of Gross Salvage Value).....	<u>\$ 13,948</u>

ANNUAL FINANCIAL IMPROVEMENT..... \$ 175,704

LONG TERM CAPITAL SAVINGS

Gross Replacement Cost.....	\$ 1,300,000
Less Gross Salvage Value.....	224,600
Net Replacement Cost.....	<u>\$ 1,075,400</u>
Annual Savings: (6.21% of Average Net Replacement Cost).....	<u>\$ 33,391</u>

ANNUAL LONG TERM BETTERMENT..... \$ 209,095

(d) deficit.

CANADIAN NATIONAL RAILWAYS  
SASKATCHEWAN AREA—PRAIRIE REGION  
PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION  
FROM FICTITIOUS (MP. 0.0) TO INVENTION (MP. 60.0)  
Year 1960.

Statement No. 1

C.N.R. SYSTEM REVENUES, TONS, AND CARLOADS BY COMMODITIES

Stations	C.N.R. System Revenues					Carload Traffic				
	Pass.	Freight	Exp.	Misc.	TOTAL	Commodities	Cars		Tons	
	\$	\$	\$	\$	\$		In	Out	In	Out
Ponteix.....	900	142,429	2,700	—	146,029	Coal.....	45	—		
						Petroleum.....	60	—		
						Forest Prods.....	7	—		
						Machinery.....	5	—		
						Fertilizer.....	2	—		
						Cement.....	1	—		
						Grain.....	—	600		
							120	600	3,521	32,400
Invention.....	600	2,600	2,500	—	5,700		—	—	—	—
TOTAL.....	1,500	145,029	5,200	—	151,729		120	600	3,521	32,400
Not traced to Stations										
Mail Leases Inward Pass.....	1,500				1,500					
GRAND TOTAL...	3,000	145,029	5,200		153,229		120	600	3,521	32,400
Deduct Duplication										
SYSTEM TOTAL.....	3,000	145,029	5,200		153,229		120	600	3,521	32,400



CANADIAN NATIONAL RAILWAYS  
SASKATCHEWAN AREA — PRAIRIE REGION

PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION FROM FICTITIOUS  
(MP. 0.0) TO INVENTION (MP. 60.0)

Year 1960.

Statement No. 1

CARLOAD MOVEMENTS BY MONTHS

Stations		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
Ponteix.....	In	11	9	10	9	10	9	11	11	9	11	9	11	120
	Out	—	—	—	—	—	—	—	102	120	120	120	120	600
	In													
	Out													
	In													
	Out													
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	Out													
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	Out													
	In													
	Out													
	In													
	Out													
	In													
	Out													
Total.....	In													
	Out													
GRAND TOTAL.....	In	11	9	10	9	10	9	11	11	9	11	9	11	120
	Out	—	—	—	—	—	—	—	120	120	120	120	120	600
Deduct Duplication.....	In													
	Out													
SYSTEM TOTAL.....	In	11	9	10	9	10	9	11	11	9	11	9	11	120
	Out	—	—	—	—	—	—	—	120	120	120	120	120	600



## CANADIAN NATIONAL RAILWAYS

## SASKATCHEWAN AREA—PRAIRIE REGION

PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION FROM FICTITIOUS  
(MP. 0.0) TO INVENTION (MP. 60.0)

Year 1960.

## Statement No. 1

## ANALYSIS OF VARIABLE EXPENSES

Cost Category	Uniform Classification of Accounts	Amount
		\$
Passenger Car Expenses.....	Maintenance (317)..... Cleaning and Supplies (402)..... Depreciation (331).....	3,622.45
S.D. & P.C. Department.....	Sleeping, Dining & Parlour Car (403 & 411).....	—
Freight Car Expenses.....	Maintenance (314)..... Lubrication (402)..... Depreciation (331).....	31,006.93
Train Mile.....	Train Control (249, 372, 404)..... Train—Other Expenses (402)..... Water and Fuel Stations (231).....	8,729.22
Diesel Unit Mile.....	Loco.—Maintenance (311A)..... Loco.—Depreciation (331).....	15,233.87
Yard Switching.....	Yard Switching (262 to 281, 302 to 338, 377 to 389).....	19,959.78
Gross Ton Mile.....	Road Maintenance (202, 08, 12, 14, 16 & 18)..... Road Depreciation (266).....	12,454.97
Diesel Unit Dispatch.....	Engine House Expense (398, 400)..... Train Loco. Supplies.....	2,153.47
Station & Car Distribution Expenses	Train Control (249, 372, 404)..... Station Expense (373, 376).....	1,312.71
Crew Wages.....	Crew Wages (392, 401).....	28,189.72
Fuel.....	Fuel (394).....	4,026.85
Grain Doors.....	Grain Doors (402).....	5,971.32
Superintendence.....	Superintendence (201, 301, 371).....	9,883.92
Traffic, General and Communications	Traffic, General and (247, 351 to 358, 407)..... Communications (451 to 458).....	8,326.39
Cost of Money.....	Cost of Money.....	16,490.61
LCL & Express—Handling....	LCL & Express—Handling (373, 376, 470 to 475).....	5,653.38
Joint Facilities.....	Joint Facility Expenses (278, 461, 465).....	
Ferry Service.....	Operating Vessels (323, 408).....	
<b>TOTAL VARIABLE COST.....</b>		<b>173,015.59</b>

NOTE:—Figures shown in brackets refer to Uniform Classification Account Number.



CANADIAN NATIONAL RAILWAYS  
SASKATCHEWAN AREA — PRAIRIE REGION  
PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION FROM  
FICTITIOUS (MP. 0.0) TO INVENTION (MP. 60.0)

Year 1960.

Statement No. 1

PHYSICAL STATISTICS

Miles of Track-Line.....			60.0
	Length	Condition	Age
Miles of Rail			
—80#.....	20	poor	57 Yrs.
—85#.....	40	poor	57 Yrs.
	Number	Condition	Age
Ties			
—Treated.....	50,000	Good	15 Yrs.
—Not Treated.....	110,000	Poor	33 Yrs.
		Condition	Age
Ballast—Pit Run Gravel.....		Poor	57 Yrs.
	Number	Condition	Age
Culverts—Concrete.....	35	Poor	57 Yrs.
			Number
Highway Crossings—Level.....			5
	Location	Condition	Age
Bridges.....	M. 50.6	Poor	57 Yrs.
	M. 31.2	Poor	57 Yrs.
		Condition	Age
Buildings			
—Ponteix.....		Poor	57 Yrs.
—East Dollard.....		Poor	57 Yrs.
—Eston.....		Poor	57 Yrs.
—Invention.....		Poor	57 Yrs.

## EXHIBIT VII

## CANADIAN NATIONAL RAILWAYS

## SASKATCHEWAN AREA—PRAIRIE REGION

PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION  
FROM FICTITIOUS (MP. 0.0) TO INVENTION (MP. 60.0)

Year 1960.

## Statement No. 1

## ALTERNATE SHIPPING POINTS

On Line Station	Revenue	Carloads	Tons	Alternate Stations	Railway	Miles from on line Station
Ponteix.....	142,429	720	35,921	Uibank.....	CN	14
				Odessa.....	CN	12
				Kendal.....	CN	10
				Monmartre.....	CN	13
				Glenavon.....	CN	15
East Dollard.....	—	—	—			
Eston.....	—	—	—			
Kerrobert.....	—	—	—			
Wilkie.....	—	—	—			
Luseland.....	—	—	—			
Invention.....	2,600	—	50			

## EXHIBIT VIII

## CANADIAN NATIONAL RAILWAYS

## SASKATCHEWAN AREA—PRAIRIE REGION

PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION  
FROM FICTITIOUS (MP. 0.0) TO INVENTION (MP. 60.0)

Year 1960.

## Statement No. 1

## PRINCIPAL MOTOR CARRIERS OPERATING PERMITS AND ROUTES

Carrier	Permits	Route
John White.....	GF-STL	Ponteix—East Dollard—Wilkie—Luseland
T. C. Jones.....	GF-LS-STL	Ponteix—East Dollard—Eston—Kerrobert—Invention
GF—General Freight		
LS—Live Stock		
STL—Single Trip Load		

STANDING COMMITTEE

EXHIBIT IX

CANADIAN NATIONAL RAILWAYS  
SASKATCHEWAN AREA—PRAIRIE REGION  
PROPOSED ABANDONMENT OF THE EXAMPLE SUBDIVISION  
FROM FICTITIOUS (MP. 0.0) TO INVENTION (MP. 60.0)  
Year 1960.

Statement No. 1  
ALTERNATE ELEVATOR POINTS

On Line Station	Elevator Company	Elevator Storage Capacity	10 Year Average Annual Shipment	Alternate Stations	Railway	Miles from on line Station	Elevator Company	Elevator Storage Capacity
		Bu.	Bu.					Bu.
Ponteix.....	Sask. Wheat Pool.....	85,000	425,000	KENDAL	CN	10	Natl. Grain	77,000



## EVIDENCE

TUESDAY, June 16, 1964.

(Text)

The CHAIRMAN: Gentlemen, we now have a quorum. This is the first regular meeting of the standing committee on railways, canals and telegraph lines. At the outset I would like to entertain a motion to specify the number of copies of our Minutes of Proceedings and Evidence to be printed in French and in English. Last year in this committee there were 750 copies printed in English and 300 in French. I would like to have your comments or a motion covering the printing of the evidence.

Mr. RHÉAUME: This would cover the report for Air Canada as well, would it not?

The CHAIRMAN: Yes sir.

(Translation)

Mr. GRÉGOIRE: Were there a sufficient number of copies last year?

The CHAIRMAN: There were a sufficient number of copies last year, Mr. Grégoire, although I should add that for the special committee we had 850 copies in English and 400 in French.

(Text)

There were 850 copies in English and 400 copies in French for the special committee on the Canadian National Railways and Trans-Canada Air Lines.

Mr. GRÉGOIRE: Was that sufficient?

The CHAIRMAN: That was sufficient. May I have a motion.

Mr. LESSARD (*Saint-Henri*): I so move, Mr. Chairman.

Mr. GRÉGOIRE: I second the motion.

The CHAIRMAN: It has been moved and seconded that 850 copies be printed in English and 400 copies in French be printed of the Minutes of Proceedings and Evidence.

(Translation)

Mr. GRÉGOIRE: As in the case of the special committee, do some people from the outside want copies at such times?

(Text)

The CHAIRMAN: Pardon me; I should have said 850. I am sorry; and 400 in French. Is it your wish?

Motion agreed to.

Mr. GRÉGOIRE: On a question of privilege, I know that the house has given this committee permission to sit while the house is sitting, but I would point out that today and tomorrow there will be in the house a special discussion of the flag issue which I think all members would like to attend. I think there are at least 50 members on this committee who would like to be in the house during the discussion on the flag issue, especially this afternoon and tonight, while the leaders of the New Democratic party and of the Ralliement des Creditistes are speaking.

Mr. HORNER (*Acadia*): What about Social Credit?

Mr. GRÉGOIRE: Maybe Social Credit, too. There will be a vote on the amendment of the Conservative party. I do not know if everyone would agree that we do not sit while the house is sitting today. I think it would be something to consider seriously and to give approbation to.

The CHAIRMAN: Before anybody else speaks, I am sure it has come to your attention that in order to examine the report of the Canadian National Railways and of Trans-Canada Air Lines, or of Air Canada, we have to bring here a great number of important officials, and that it is desirable that the work be completed in "X" number of consecutive days. I have to take into consideration the fact that everybody on the steering committee knew last week, that the flag debate would be coming up this week. I would hope that we could hold at least two meetings a day—even three if possible—and we might shorten them. But I am in the hands of the committee, of course.

Mr. RHÉAUME: Whatever immortal words are uttered on the flag issue, surely they could be read subsequently, so that they will be indelibly imprinted in our memories. I do not think there is any need for the committee members to be there. I think the committee would be most anxious to meet as many times a day as it possibly can in order to go through the reports as fully as possible.

Mr. PASCOE: I agree. The witnesses are very busy people, and I think we should make a special effort to carry on while they are here.

The CHAIRMAN: Let us proceed then, since there is no motion.

Mr. GRÉGOIRE: I shall put my motion in the house this afternoon.

The CHAIRMAN: Thank you, very much, Mr. Grégoire. Now I shall ask our clerk to read the order of reference.

### THE CLERK OF THE COMMITTEE

WEDNESDAY, June 10, 1964.

ORDERED,—That the annual reports for 1963 of the Canadian National Railways and of the Canadian National Railways Securities Trust, and auditor's report to parliament for 1963 in respect of the Canadian National Railways, tabled on April 7, 1964, the budget for 1964 of the Canadian National Railways, tabled on March 30, 1964, the annual report of Trans-Canada Air Lines for 1963, the auditor's report to parliament for 1963 in respect of Trans-Canada Air Lines, tabled on March 6, 1964, and the budget for 1964 of Trans-Canada Air Lines, tabled on February 28, 1964, be referred to the standing committee on railways, canals and telegraph lines.

Attest.

LÉON J. RAYMOND,

*The Clerk of the House.*

The CHAIRMAN: Gentlemen, as a result, your steering committee met last week when it was decided to proceed today with the report of the Canadian National Railways. We have with us this morning the president of the Canadian National Railways who is well known to us, Mr. Donald Gordon, together with executive members of his railways. On your behalf I welcome them to our committee this morning and without further ado ask Mr. Gordon to introduce his executive members.

Mr. DONALD GORDON (*President of the Canadian National Railways*): Thank you, Mr. Chairman. In accordance with custom I would like to introduce Mr. Ralph Vaughan, Secretary of the company, who is at my immediate right; next to him, Mr. John Toole, Vice-President of Accounting

and Finance. His title is self-explanatory. Then Mr. J. W. Demcoe, Vice-President of Transportation and Maintenance. He will be available to deal more specifically with actual operating questions.

The CHAIRMAN: Now, your steering committee decided to proceed in the usual manner and to request Mr. Gordon to read his report in full, and thereafter for us to proceed section by section with the questioning. Mr. Gordon?

Mr. GORDON: Mr. Chairman, the report is addressed to The Hon. The Minister of Transport, Ottawa, Canada and reads:

### FINANCIAL REVIEW

#### General

An upward movement in Canadian business activity generated heavy demands for transportation services in Canada in 1963. This activity gave Canadian National an opportunity to demonstrate its ability to maintain a determined sales effort for competitive traffic in a busy market, while at the same time meeting strenuous, above-normal demands for rail services. The overall result was that the system handled its second highest volume of railway business (as measured by revenue ton miles) in its history, and gross revenues from all services increased \$27.9 million over the previous year to an all-time high of \$800.0 million. The following table compares gross revenues in 1962 and 1963:

	1963	1962	Increase
	(Millions of Dollars)		
Railway Operating Revenues .....	\$725.2	\$701.6	\$23.6
Telecommunications (Commercial Services) ..	37.2	36.7	0.5
	762.4	738.3	24.1
Hotels (Excluding The Queen Elizabeth and Hotel Vancouver) .....	12.6	12.2	0.4
Separately Operated Trucking Companies ....	25.0	21.6	3.4
Gross Revenues .....	\$800.0	\$772.1	\$27.9

Railway operating revenues increased \$23.6 million or 3.4 percent to \$725.2 million, while expenses, at \$720.2 million, were \$12.8 million or 1.8 percent higher than 1962. The resulting net railway operating income of \$5.0 million represented a \$10.8 million improvement over the \$5.8 million operating loss in 1962. Other income, together with net income from hotels, telecommunications and separately-operated trucking companies amounted to \$16.2 million, producing a surplus of \$21.2 million. This surplus fell short by \$43.0 million of the amount needed to meet interest charges on outstanding debt. However, the outcome was an improvement of \$5.9 million over the 1962 results, and \$5.3 million better than that forecast in the system operating budget.

#### Railway Operating Revenues

Revenues from freight services totalled \$573.5 million, an improvement of \$25.7 million or 4.7 percent over 1962. Principal contributors to higher revenues were new movements of potash, export grain shipments and increased shipments of automobiles and parts. Most of the increase in revenues from potash shipments represented new business for CN and came from the first full year of production at the potash mining development at Yarbo, Saskatchewan. While revenue ton miles were up 12.9 percent to 40.2 billion, the average revenue per ton mile declined 7.5 percent.

Revenues from freight services included \$10.1 million related to the freight rates reduction subsidy which reduces for shippers, on certain classes of traffic,



the full effect of the last freight rate increase authorized by the board of transport commissioners in 1958. The payments under this subsidy increased \$0.6 million mainly due to increased movements of commodities covered. For the same reason, there was a \$1.1 million increase in the east-west bridge subsidy which provides reduced rates to shippers on certain traffic moving between eastern and western Canada. There was also an increase of \$0.4 million in the amount received under the Maritime Freight Rates Act which reduces rates to shippers on traffic moving within and out of the Atlantic provinces. Interim payments related to the recommendations of the royal commission on transportation were \$1.1 million lower, reflecting the fact that the 1962 figure included adjustments in respect of 1961. The following table compares subsidy payments in 1962 and 1963:

	1963	1962	Increase or (Decrease)
	(Millions of Dollars)		
Freight rates reduction subsidy .....	\$10.1	\$ 9.5	\$ 0.6
Maritime Freight Rates Act .....	11.3	10.9	0.4
East-west bridge subsidy .....	4.3	3.2	1.1
Total included in freight services revenues ...	25.7	23.6	2.1
Interim payments .....	29.1	30.2	(1.1)
Newfoundland and P.E.I. steamship services ..	16.8	16.6	0.2
Total .....	\$71.6	\$70.4	\$1.2

#### Railway Operating Expenses

Expenses were higher in 1963, arising in the main from an increase in the total compensation to employees. Improved wages and pension benefits and contributions to a job security fund amounted to \$12.5 million. Depreciation charges, taxes and material prices were also higher. Through close attention to controllable expenses, the higher costs were partially offset and despite an increase of 10.3 percent in the freight work load, as expressed in gross ton miles, railway operating expenses were held to an overall increase of \$12.8 million or 1.8 percent.

Depreciation charged to rail operations was \$87.2 million, up \$1.2 million from 1962. This constitutes the major portion of the total system depreciation of \$90.0 million for 1963, which exceeded 1962 by \$3.1 million, primarily due to increased investment in depreciable property.

System taxes increased by \$1.4 million to \$26.6 million in 1963 of which \$22.8 million was charged to railway operating expenses. Included in the System total were \$5.5 million for unemployment insurance, \$18.5 million for Canadian provincial and municipal and state taxes, and \$2.6 million for payments under the U.S. railroad retirement act. Other taxes which were included in the purchase price of materials amounted to \$19.3 million.

Equipment and joint facility rents were \$3.8 million, higher by \$0.7 million than in 1962 mainly because of increased use of leased cars.

#### Debt and Interest

There was a reduction of \$51.1 million in the total interest-bearing debt made possible mainly from the excess over capital expenditures of the funds derived from the company's own resources including the sale of preferred stock. However, interest charges increased \$1.7 million to \$64.2 million due to higher interest costs arising from refunding of outstanding debt.

#### Capital Expenditures

Capital expenditures chargeable to property investment account in 1963 and 1962 appear, by major categories, in the table below. They were financed entirely from funds generated internally and from the sale of preferred stock.

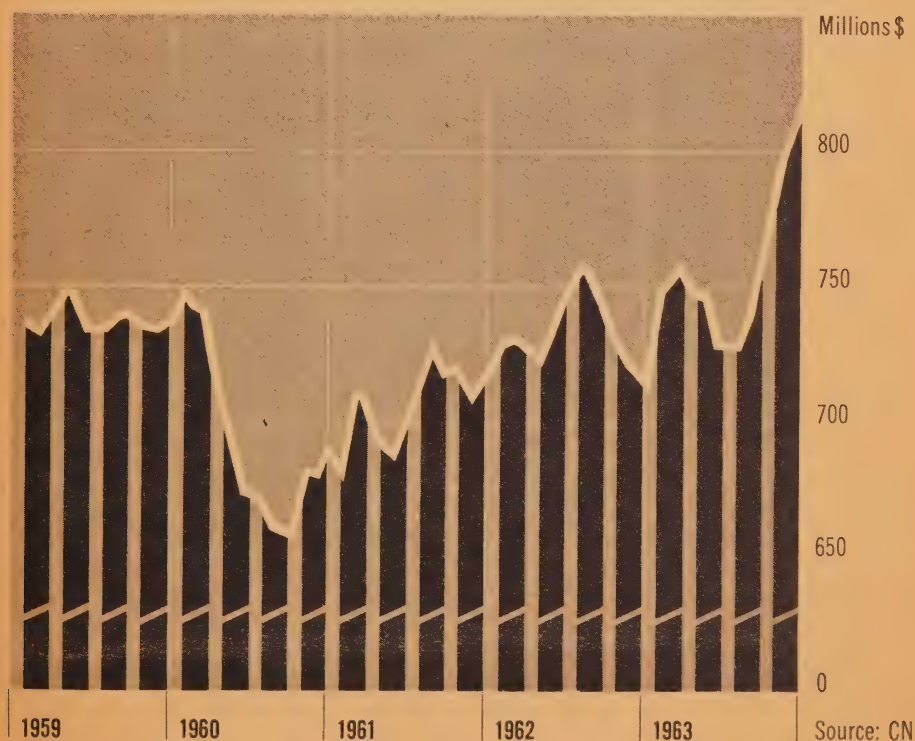
	1963	1962
	(Millions of Dollars)	
Road Property .....	\$ 66.0	\$ 55.3
Large Terminals .....	13.6	10.3
Branch Lines .....	3.8	5.6
Equipment .....	14.0	28.8
Telecommunications Facilities .....	27.3	11.7
Hotels .....	2.3	1.8
Total .....	\$127.0	\$113.5

## DEVELOPMENT

## Research

Construction of a new laboratory adjacent to Montreal yard was undertaken in 1963 in response to growing demands for increased facilities for research programs into improved technology, methods and materials in the provision of transportation services. The laboratory also provides inspection and testing services for materials and supplies purchased by the system. Through its services, continuing attention will be given to such areas of research as soil mechanics, track material and structure, equipment design, lubrication, fuel, corrosion control and low temperature operations. Meanwhile, rewarding results emerged in 1963 from earlier studies. Reaching completion, for example, was the development of a special car equipped with sensitive electronic devices for measuring track conditions under normal train speeds and loads. The data obtained are used for setting track standards and judging

## Operation Revenues Seasonally Adjusted at Annual Rates



the performance of track maintenance machinery. Another technical achievement was the perfection of an electronic scale capable of weighing freight cars travelling at speeds up to 15 miles per hour. This scale, which is the first of its type to meet the rigid requirements of the federal government, is being installed in major classification yards. Advances were also made in the improvement of protective coatings for railway equipment and property by adapting new synthetic resins to railway uses. The improved protection provides more economical painting, reduced maintenance costs and longer life for equipment and structures.

### Branch Lines

Construction moved ahead on the Great Slave Lake Railway which, when completed, will extend 377 miles from Roma, near Grimshaw, Alta., to Hay River, N.W.T., with an additional 53-mile branch line to Pine Point Mines. At year-end, 226 miles of track had been completed, while clearing, grading, bridge and trestle work progressed on the remaining portion of the line. Also, administrative and operating facilities were built at Roma. The line is being opened as construction proceeds and some revenue traffic has been moving over portions of the line since 1962.

In October, the 61-mile rail extension to the Matagami Lake region of northwestern Quebec was formally opened. The line serves zinc-copper mining developments. In New Brunswick, a 15-mile branch line was completed from Nepisiguit Junction, near Bathurst, to a zinc-lead-copper mining property. In northern Manitoba to transport ore from new copper-zinc mines.

### Real Estate

Urban development projects were advanced in several centres across Canada in 1963 in accordance with the system's program to redevelop its real estate holdings in co-operation with municipal authorities and private developers.

In Edmonton, Alberta, agreement was reached with private interests for construction of a 26-storey building to house commercial offices and a passenger station. The structure will also provide accommodation for the railway's mountain region and Edmonton area headquarters' staffs. Construction is scheduled to start early in 1964.

Proposals were invited in mid-1963 for the redevelopment of approximately 24 acres of Canadian National property in downtown Saskatoon, Saskatchewan. Earlier, general agreement had been reached with the city for the ultimate use of the property. For CN, the plan involves moving almost all of its facilities to Chappell on the southwestern outskirts of the city where a new freight yard, passenger station and express freight terminal are being built.

In Montreal, work will begin in 1964 on a 28-storey commercial office building east of the Queen Elizabeth Hotel on Dorchester boulevard. Being built by private interests, it is another project in the overall redevelopment of Canadian National's property surrounding Central station. Meanwhile, proposals were invited for the development of the air rights over the railway tracks south of La Gauchetière street. This area is a large city block in size and is the last of three major sections of property in the terminal area to be redeveloped. Also, in Central station the concourse was enlarged to provide additional commercial space and expanded restaurant facilities, and a new and faster system for handling checked baggage was installed.



## Industrial Development

Canadian National continued to provide existing and prospective customers with a comprehensive industrial location service aimed at attracting new resource, industrial and commercial development in areas served by the system. During 1963, a total of 356 resource developments, manufacturing plants and major warehousing and distributing facilities were established in locations served by Canadian National freight services. An additional 181 industries, already served by CN, expanded their facilities. Of these new plants and expansions, some 248 required private sidings. A total of 38 miles of private sidings and industrial spurs was constructed during 1963.

## OPERATIONS

### Yards

Construction moved ahead during the year on Toronto yard, an electronically-controlled hump classification yard, and 34 miles of access lines. Scheduled for completion in 1965, the yard will divert and speed up freight operations, thereby relieving much of the current congestion in the centre of Toronto. Similar to yards already in operation at Moncton, Montreal and Winnipeg, the Toronto yard will incorporate the latest developments in semi-automatic classification. It will be capable of receiving classifying and despatching 6,000 freight cars a day and will have standing capacity for 10,300 cars.

### Revenue Ton-Miles Seasonally Adjusted at Annual Rates



A new flat-type classification yard and associated diesel locomotive and car repair shop is under construction in Saskatoon as part of the program to remove railway operations from the centre of the city. In Newfoundland, the

reconstruction of freight yards at Corner Brook and St. John's was substantially completed by year-end.

### Track and Signals

As part of continuing track maintenance and improvement programs, more than 600 miles of new rail was laid on principal lines in 1963. About 100 miles of partially worn rail was laid on light traffic lines, while more than 1.4 million ties were installed across the system.

Centralized traffic control signalling was installed along about 500 miles of mainline track in 1963. The work was carried out principally in western Canada and brought the mileage of CTC-equipped track on the system to 3,209. A centrally-controlled signalling system, CTC expedites train movements and increases track capacity.

### Data Processing

A comprehensive data processing information system, covering all freight and passenger train movements, went into operation on the Atlantic, mountain and prairie regions. This computer-based information system assists management in improving customer services and in strengthening managerial controls to produce more economical and efficient operations. It is expected this system will be extended to the St. Lawrence and Great Lakes regions in 1964. This is one example of CN's efforts to realize the full potential of present-day data processing techniques.

### Work Study

Increased productivity is being achieved regularly through work study programs which seek out the most efficient use of men, materials and equipment. One of many examples is the recent introduction of a modern production planning and control system in main shops at Point St. Charles, (Montreal) and Transcona, Manitoba. The results from this method of control have been encouraging and it will be applied to other repair facilities on the system.

## FREIGHT SERVICES

### Sales

In many respects, the high volume of business obtained by Canadian National in 1963 represented concrete rewards from long-range sales-development programs that have been implemented as part of the System's comprehensive, market-oriented approach to the sale of railway services. This approach, adopted in 1960 and which involves adapting railway services to meet customer requirements, is growing in importance as a key to expanding CN's share of what promises to be a more openly competitive transportation market in the future. The freight sales organization is currently reviewing the system's competitive position in anticipation of greater freedom in pricing which may result from federal government legislation based on the recommendations of the royal commission on transportation.

Customer research service, a new concept in customer relations and service, was offered on a system-wide basis in 1963. It makes the various technical and research groups within the railway available to customers to assist in developing systems for shipping or materials handling, and in seeking solutions to general distribution problems.

### Services

Productivity of freight trains reached a new peak in 1963 with an average of 56,600 gross ton miles per freight train hour for all types of freight trains. This was more than double the figure of 27,800 recorded in 1950. Scheduled fast freight trains alone averaged 83,500 gross ton miles per freight train hour.



A new fast freight train was inaugurated in October between Toronto and Winnipeg, with connections to points in western Canada and the Pacific coast. This was the third consecutive year in which a new fast freight train was placed in service to improve shipping schedules between eastern and western Canada.

"Aquatrains", the freight car ferry service inaugurated in 1962 between Prince Rupert, British Columbia and Whittier, Alaska, was extended in 1963 by the addition of a rail car barge to serve the port of Saxman, on Ketchikan Island, Alaska.

The use of containers was expanded in certain operations, while studies were undertaken to find further specific uses for them, especially in the express freight field. One hundred and twenty-seven all-steel containers were built in railway shops to meet growing requirements in the shipping operations between the mainland and Newfoundland. The containers allow cargo to be transferred quickly and efficiently between train and ship at the loading and unloading points.

Piggyback services expanded in 1963 with tonnage increasing by 5.9 percent and revenues by 6.3 percent over 1962. Additional points in Ontario and British Columbia were included in Plan 1 piggyback under which commercial trailers are carried. In Montreal, a modern terminal was established in part of the old Turcot classification yard to facilitate piggyback operations.

### Equipment

Growing requirements for special-purpose freight equipment were met in 1963 through conversion programs and the purchase of new equipment. In order to increase the supply of cars for wheat traffic, 1,000 hopper cars, normally used for hauling gravel, were equipped with plywood tops in CN shops and placed temporarily in grain service. Modifications were made to 100 gondola cars and 50 box cars to make them suitable for handling wood chips, while another 100 gondola cars were equipped to carry pulpwood. Bulkheads were installed on 130 flat cars assigned to pulpwood or lumber traffic. One hundred and five ore cars were modified to handle pelletized ore. Doors were widened on 500 standard box cars in response to a growing demand for cars which can be loaded and unloaded by fork-lift trucks. Programs were started to convert 100 ice refrigerator cars to mechanical refrigeration through a method developed by CN, and to install underframe cushioning devices on 100 newsprint cars to protect loads from damage. New equipment orders included 55 tri-level automobile transporters, 100 covered aluminum hopper cars and 100, 70-ton flat cars.

### Express Freight

Express freight, the system's co-ordinated road and rail service for package and non carload shipments, was further developed in 1963. The new service is emerging from the gradual consolidation of express and LCL (less than carload) freight services across the system, and is based on trains handling the long haul, between centrally-located road-rail terminals, and highway vehicles performing pickup and delivery services in the districts surrounding these central points. An integral part of the development of express freight is the application of the master agency concept which provides customers in smaller and scattered communities with the advantages of urban-type railway communications and service. The master agency plan was tested in 1963 in the Atlantic region where it has been well received by customers and community interests. A similar test is under way in the mountain region. Also, express and LCL operations were integrated at a number of points on the system, including Bonaventure terminal in Montreal, a modern streamlined express freight terminal capable of handling 9,000 parcels an hour. In Hamilton, Ontario, tracks were re-arranged and other work carried out preliminary to construction of a large express freight terminal, to begin in 1964.



### Trucking Subsidiaries

Net operating profit for the eight separately-operated trucking companies and two associated terminal companies, whose stock is owned by Canadian National Transportation, Limited, was \$1.3 million.

## PASSENGER SERVICES

### Sales

Revenues from passenger services were \$44.4 million compared to \$44.0 million the previous year. This result was achieved despite a 6 percent reduction in the number of passenger train miles operated and it maintained the position attained in 1962 when a prolonged decline in revenues was halted.

The system extended its comprehensive marketing and sales program in 1963. Directed toward expanding Canadian National's share of the travel market, it involves modern pricing concepts, improved schedules and equipment and expanded services for passengers.

The red, white and blue fare plan, in which ticket prices vary by days according to traffic demands, was extended following a one-year experiment between points in Quebec and the three maritime provinces. The experiment indicated that passenger business could be substantially increased through this form of pricing and the new fare plan was extended to include Newfoundland, the transcontinental route, lines in southwestern Ontario, four western provinces and, in cooperation with the Ontario Northland Railway, between Toronto and points in northern Ontario.

### Schedules and Services

Coincident with the extension of red, white and blue fares, improvements were made to schedules, equipment and on-train services. The schedule of the super continental between Montreal-Toronto and Vancouver was shortened by almost three hours, providing more convenient departure and arrival times at all principal cities across the country. At the same time, smartly redesigned equipment was introduced. Coaches were refurbished and a refreshment lounge for coach passengers was added, while a club lounge was provided for passengers with sleeping accommodation. Coach accommodation was placed on a reserved basis, at no extra cost, and attendants were assigned to see to the needs of coach passengers.

Free coach reservations and services of attendants were also introduced on the ocean limited between Montreal and Halifax.

Other improvements in service included a reduction in the schedule and better equipment for the scotian between Halifax and Montreal to provide a service comparable to that of the ocean limited and especially timed to make connections in Montreal with trains to and from Toronto and southwestern Ontario. In New Brunswick, the conventional trains between Moncton and Saint John were replaced by self-propelled railiners to provide faster schedules.

Other travel features introduced in 1963 included charter coaches and sleepers for groups, and car-go-rail, whereby passengers' automobiles are transported in conjunction with their rail trips. A CN-financed charge-a-trip plan for travel on the system's lines in Canada went into effect early in 1964.

### Administration

In an administrative change in the sales organization at system headquarters in January, 1964, the passenger sales and services function was given the status of a full department, headed by a vice-president. This move was in recognition of the growing importance Canadian National is attaching to its passenger business and acknowledges the public's response to CN's efforts to enlarge its share of the travel market.

## HOTELS

## Financial Results

Net income from hotel operations in 1963 was \$1.4 million, a decrease of \$0.9 million from 1962. While revenues of Canadian National hotels were higher than in 1962, this increase was more than offset by increased operating expenses, the most significant of which was the cost of major exterior repairs to buildings. The decrease in the net return from the hotel Vancouver is attributable mainly to a decline in revenues from 1962 when this hotel had the benefit of the Seattle world's fair. The net return from the Queen Elizabeth hotel was less than in 1962. This was due to the combination of lower revenues and increased expenses in the hotel and high expenses during the early operation of the new Place Ville Marie restaurants. The following table compares net income in 1963 and 1962:

	1963	Income or (Loss)	1962
Hotels operated by Canadian National:			
Income before major repairs .....	\$	331,114	\$156,557
Major repairs to buildings .....		354,947	—
Net Income or (loss) .....		(23,833)	156,557
Hotel Vancouver .....		(247,842)	116,496
Queen Elizabeth Hotel .....		1,622,393	2,012,918
Net income from hotels .....	\$	1,350,718	\$2,285,971

## Improvements

A five-year program to modernize the hotels was begun in 1963. Plans call for air-conditioning, expanded parking facilities, refurbishing, redecorating and improved dining and other guest facilities. During the year, major projects included the continuation of the rebuilding program at Jasper Park lodge, where nine multiple-unit cabins were built to replace 12 outdated structures; air-conditioning at the Fort Garry, Winnipeg, and the replacement of the cafeteria at the Chateau Laurier, Ottawa, by a new restaurant. Also at the Chateau, preliminary work was carried out for the renovation of the lower level and air-conditioning of the hotel. Improvements to guest rooms and public rooms were made at the Newfoundland, St. John's; the Nova Scotian, Halifax; the Charlottetown, in P.E.I.; and the Macdonald, Edmonton. A total of \$2.1 million was invested on these projects during the year.

## Other Developments

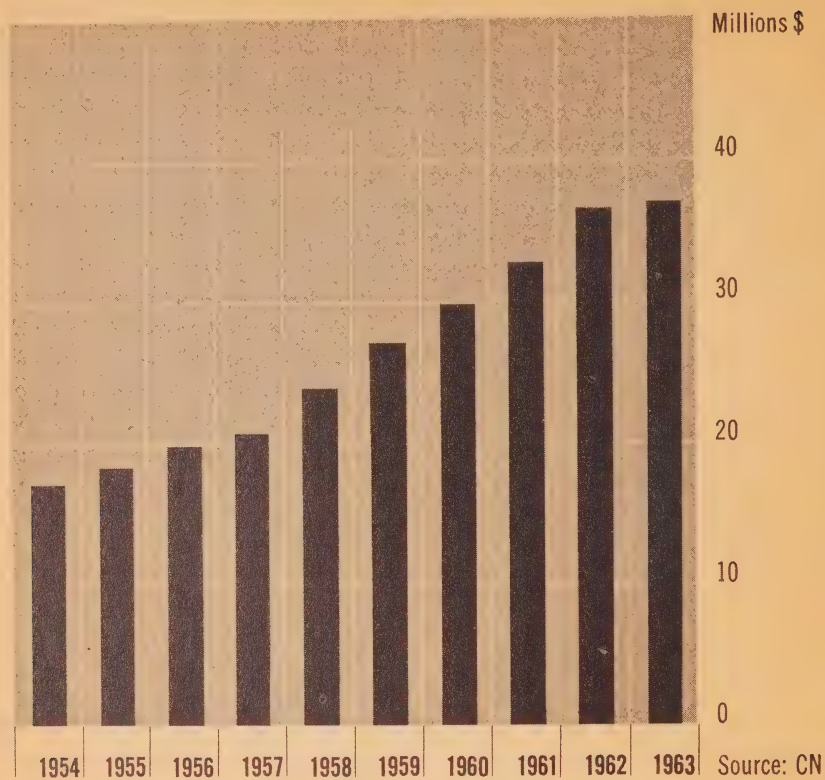
In July, Canadian National acquired Canadian Pacific's interest in the Vancouver Hotel Company Limited which operated the CN-owned hotel. Subsequently, an agreement was entered into with Hilton of Canada Limited for the management and operation of the hotel, an arrangement similar to that under which the Queen Elizabeth hotel in Montreal is operated. A major renovation and modernization program will be carried out on the property over the next three years.

## TELECOMMUNICATIONS

Net income from all telecommunications services was \$5.4 million in 1963, down \$0.2 million from 1962. While there was an increase in total revenues, this was offset by increased expenses resulting from higher depreciation and total wage costs. Higher revenues were recorded in telex, telephone and leased wire services, while revenues from telegrams and broadcast facilities were lower.



## Telecommunications Revenues from Commercial Services



Growth in plant capacity amounted to 64,000 carrier telephone channel miles and 66,000 carrier telegraph channel miles, for percentage increases of 11.5 and 5.2 respectively. Six new telex exchanges were opened, bringing the total to 67 exchanges serving 614 communities across Canada. The number of subscribers rose to 6,000 from 4,600 in 1962.

Two new microwave systems were completed, the larger being the Montreal-Vancouver system built jointly by Canadian National and Canadian Pacific. With the existing systems east of Montreal, the new system forms a transcontinental trunk route serving major centres across Canada. It is also the North American land link for the commonwealth telecommunications system between the United Kingdom and Canada, New Zealand and Australia. Initially, the Montreal-Vancouver microwave system will be capable of carrying 600 voice channels which may be used for telephone, telegraph, facsimile and other types of transmission. It can be expanded readily to provide additional voice channels or television services.

The second microwave facility, a tropospheric scatter-wave radio system, reaches from Hay River, N.W.T., to Lady Franklin Point on Victoria Island in the Arctic, a distance of 554 miles. While constructed for defence purposes, the system will also enable CN Telecommunications to provide commercial communications to Coppermine and Cambridge Bay, N.W.T.

Other activities in Northern Canada included: a start on construction of a 1,020-mile pole-line system which, when completed in 1965, will provide communication services to a number of communities in the Mackenzie River Valley



between Hay River and Inuvik, N.W.T.; initial work for the expansion, in 1964, of the capacity of the 1,200-mile microwave system between Grande Prairie, Alberta, and the Yukon-Alaska border, and a start on the installation of new telephone, telegraph and radio systems for the communities in northern British Columbia, the Yukon and Northwest Territories.

In Newfoundland, a project to increase the capacity of the microwave link between St. John's and Sydney, Nova Scotia, was begun. Also, construction of communications facilities to the north coast and south coast areas was undertaken, and dial telephone exchanges were installed in 18 communities in the province.

## PERSONNEL AND LABOUR RELATIONS

### Labour Relations

In November, new contract demands were received from unions representing more than 66,000 Canadian National employees. Involved are 15 unions, representing 57,500 non-operating employees, and the Brotherhood of Railroad Trainmen representing some 8,600 conductors, trainmen, and yard employees. Contracts with both groups expired on December 31, 1963, and in January 1964, a two-year agreement was reached with the Brotherhood of Railroad Trainmen involving an increase of 5 percent in wage rates. The non-operating unions negotiate jointly with Canadian National, Canadian Pacific and five other railroads. While a number of meetings was held between the railways and the unions' joint negotiating committee, no progress was made, and in January the parties sought the conciliation services of the Department of Labour.

Under the terms of the previous agreement with the non-operating unions, dated November 2, 1962, a joint management-union committee was established to work out the specific provisions of a work security plan, and to revise seniority and related rules. The railways advanced an overall proposal for this project to the committee in April, and while progress was made in developing a workable plan, there were, at year-end, points in dispute which had yet to be settled.

In the United States, the arbitration board, established to hear the work rules dispute between the railways and their operating employees, announced its findings on November 26, 1963. The award provides for gradual elimination of firemen and establishes guidelines for the parties to negotiate future changes in the make-up of train crews. Implementation of the awards was delayed because the unions are contesting it before the courts.

During the year, eight contract settlements covering some 2,000 employees in seven hotels were achieved. In addition, five collective agreements were signed with other groups of employees including a five-year agreement for deck officers in the Newfoundland Steamship Services.

### Employee Relations

Training continued to receive special attention during the year. A new training centre was established at Saskatoon, bringing training opportunities within more convenient range of the company's many western employees.

In addition to established programs to keep employees informed of new developments and other matters of interest to them, a series of meetings was held in June during which the president and other senior officers discussed the 1962 annual report and future company activities with the general chairman of unions representing CN employees. The meetings were reported by both parties as a new and useful form of communication between management and labour.

Continuing attention was given to the development and implementation of measures that will gradually cause the system to reflect the bicultural character of Canada to a greater degree in its operations and personnel composition.

#### Pensions and Welfare

Total charges against CN earnings for pensions (excluding United States railroad retirement taxes of \$2.6 million) in 1963 compared with 1962 were as follows:

	1963 (Millions of Dollars)	1962 (Millions of Dollars)	Increase or (Decrease)
1935 and 1959 pension plans	\$28.2	\$26.3	\$1.9
Pre-1935 plans, etc. (including I.C. & P.E.I. Railway Employees' provident fund)	7.0	7.1	(0.1)
Total	\$35.2	\$33.4	\$1.8

Exclusive of payments made under the United States Railroad Retirement Act, there was paid to pensioners and beneficiaries, under the various Canadian National pension arrangements, a total of \$37.4 million in 1963, and 30,411 individuals were receiving such payments at the year end.

Charges against CN earnings for welfare plans providing hospital-surgical-medical benefits and life insurance were \$6.4 million in 1963.

#### Corporate Structure

Under a continuing program to simplify the corporate structure of Canadian National Railway Company, six constituent companies were eliminated. They were Canadian National Hotels, Limited; The Central Counties Railway Company; The Montreal Stock Yards Company; The Montreal Warehousing Company; Yellowknife Telephone Company, and, effective January 14, 1964, Montreal and Southern Counties Railway Company.

#### CN-CP Act

Areas where co-operative measures might be undertaken were explored in discussions with the Canadian Pacific Railway Company.

#### Board of Directors

On July 2, 1963, the government appointed Mr. C. A. Pippy of St. John's, Newfoundland, to the board of directors for a term expiring September 30, 1965.

### THE OUTLOOK

In many respects, 1963 was an exceptional year for Canadian National Railways. A buoyant economy and an unusually high demand for transportation services put to a rigid test the overall efficiency of the new plan of organization introduced early in 1961. Considering the complexity and the far-reaching nature of the changes which had been made, the first since the formation of the system in 1923, it was considered that noteworthy progress had been achieved in a relatively short time. The entire work force proved effective in enlarging the railway's share of traffic in competition with other carriers, and the capacity of the plant fulfilled the demanding objectives. The result was that the system did more business than ever before with gross sales reaching \$800 million, and had the second highest volume of revenue ton miles in any year of its history. It was significant that this volume of business was handled at an unparalleled level of efficiency. For example, the 40.2 billion revenue ton miles carried in 1963 was surpassed only by the 41.9 billion carried in 1956; the 1963 traffic, however, was handled with 13,000 fewer pieces of freight equipment than required in 1956, mainly because of improved car utilization and distribution techniques.



The 1963 performance illustrated, as well, the ability of the railway plant to absorb a large volume of additional business without greatly increasing its total expense. While the freight work load increased 10.3 percent over 1962, railway operating expenses rose only by 1.8 percent.

An important part of the achievement of 1963 was the contribution Canadian National made to the successful delivery of the large export grain orders. This immense task came upon the railway unexpectedly, and the company responded in the national interest to meet the requirements of the Canadian Wheat Board efficiently and expeditiously. From the beginning of the 1963 crop year in August, the system transported 85,500 cars of grain, or 169 million bushels, and at year-end was more than 3,000 cars ahead of schedule in its deliveries. All of this additional work load was performed without disruption to regular services or other shipping needs.

The foregoing accomplishments, regarded as significant indicators of improved sales effort and operating efficiency, are not, however, apparent in the on-paper financial result. While gross sales were higher, the work load greater, and inventory and controllable expenses held firmly in line, the net income was insufficient to meet the interest burden which produced a deficit of \$43 million. Most of this debt can be identified as a legacy from the past through a deficiency in depreciation practices which restricted the company's ability to finance capital expenditures from internal sources. The provisions of the Capital Revision Act of 1952 have now run their normal term and, as was the understanding at that time, the effectiveness of the measures is being re-examined in light of approximately ten years' experience. The basic principle of the capital revision proposals which the company has recommended to the government is that the railway be relieved of the crushing burden of debt charges which make the annual profit and loss account such an inaccurate reflection of management and employee efficiency. In the new competitive environment envisioned by the intended legislation based upon the MacPherson Royal Commission on Transportation, it is deemed essential that Canadian National be placed in a position whereby it can be judged and held accountable on the same basis as its competitors. The board of directors and management consider that if the company is destined to chronic deficits, then this will not only be severely damaging to the morale of the personnel but could, in fact, have a detrimental effect on the important private enterprise sector of the transportation industry.

Canadian National is a valuable national asset and occupies a prime and unique role in the life of Canada. Its objectives of providing an efficient and economic transportation system can be fulfilled more satisfactorily if the accounts are placed on a basis that will reflect the true story of current operations, so that the annual results do not need qualification and explanation in respect of the past.

The board of directors once again takes pleasure in expressing its appreciation for the continued loyal services rendered by officers and employees throughout the system.

D. Gordon

Signed on behalf of the board of directors.

Montreal, March 16, 1964

The CHAIRMAN: Thank you, Mr. Gordon. Have you anything further to say at the present time, or is that your full report?

Mr. GORDON: That is my full report.

The CHAIRMAN: There are certain financial and statistical statements which form part of this report. Is it the wish of the committee that they be printed in the minutes of evidence without being read?

Agreed.

The financial and statistical statements follow:



## CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 1963

## ASSETS

*Current Assets*

Cash.....	\$ 32,707,012	
Accounts receivable.....	87,811,533	
Material and supplies.....	62,990,782	
Other current assets.....	20,275,051	
Government of Canada—Due on deficit account.....	8,513,517	
		\$ 212,297,895

*Insurance Fund*.....

17,500,000

*Investments in Affiliated Companies Not Consolidated*

Trans-Canada Air Lines.....	242,471,000	
Jointly operated rail and terminal facilities.....	48,539,703	
		291,010,703

*Property Investment*

Road.....	2,515,851,946	
Equipment.....	1,324,952,640	
Other physical properties.....	123,694,663	
	3,964,499,249	
Less recorded depreciation.....	801,049,925	
		3,163,449,324

*Other Assets and Deferred Charges*

Other investments.....	3,576,549	
Prepayments.....	2,464,684	
Unamortized discount on long term debt.....	19,489,453	
Other assets.....	9,989,523	
Deferred charges.....	10,578,349	
		46,098,558
		<u>\$3,730,356,480</u>

## LIABILITIES

*Current Liabilities*

Accounts payable.....	\$ 64,815,458	
Accrued charges.....	23,756,029	
Other current liabilities.....	3,052,302	
		\$ 91,623,789

*Provision for Insurance*.....

17,500,000

*Other liabilities and Deferred Credits*.....

33,113,192

*Long Term Debt*

Bonds.....	1,380,898,764	
Government of Canada loans and debentures.....	410,354,762	
		1,791,253,526

## SHAREHOLDERS' EQUITY

*Government of Canada*

6,000,000 shares of no par value capital stock of Canadian National Railway Company.....	359,963,017	
991,504,556 shares of 4% preferred stock of Canadian National Railway Company.....	991,504,556	
Capital investment of Government of Canada in the Canadian Government Railways.....	440,912,615	
	1,792,380,188	

*Capital Stock of Subsidiary Companies Owned by Public*.....

	4,485,785	
		1,796,865,973
		<u>\$3,730,356,480</u>

The notes on page 22 are an integral part of this Balance Sheet.

L. J. Mills, Comptroller.

## CONSOLIDATED INCOME STATEMENT

	1963	1962
Railway Operating Revenues.....	\$ 725,181,334	\$ 701,622,754
Railway Operating Expenses.....	720,169,669	707,442,091
Net Railway Operating Income or (Loss).....	5,011,665	(5,819,337)
Net Income from:		
Telecommunications department.....	5,367,458	5,619,686
Hotels.....	1,350,718	2,285,971
Separately operated trucking companies.....	1,283,213	875,975
Other income.....	8,177,720	10,616,841
	16,179,109	19,398,473
Net Income before Interest on Debt.....	21,190,774	13,579,136
Interest Charges:		
Total interest on debt.....	75,822,804	74,017,366
Less interest received on loans to Trans-Canada Air Lines.....	11,618,513	11,518,776
Net Interest on Debt.....	64,204,291	62,498,590
(Deficit).....	\$ (43,013,517)	\$ (48,919,454)

## AUDITORS' REPORT

To The Honourable The Minister of Transport,  
Ottawa, Canada.

We have examined the consolidated balance sheet of the Canadian National Railway System at December 31, 1963 and the consolidated income statement for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the position with regard to depreciation accruing prior to the adoption of depreciation accounting as referred to in Note 1, the accompanying consolidated balance sheet and the related consolidated income statement are properly drawn up so as to give a true and fair view of the state of the affairs of the System at December 31, 1963 and of the results of its operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the System, and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the System and the transactions that have come under our notice have been within the powers of the System.

McDonald, Currie & Co.,  
Chartered Accountants.

February 25, 1964

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 1963

*Note 1: Property Investment*

Additions since January 1, 1923 have been recorded at cost and properties and equipment brought into the System at January 1, 1923 are included at the values appearing in the books of the several railways now comprising the System to the extent that these have not been retired or replaced.

Depreciation on Canadian Lines: Depreciation accounting as adopted for equipment in 1940, for hotel properties in 1954 and for track and road structures and all other physical properties except land in 1956 has been continued in 1963. The depreciation rates used are based on the estimated service life of the properties but do not provide for depreciation which was not recorded in prior years under the replacement and retirement accounting principles then in force, nor for extraordinary obsolescence resulting from the introduction of more efficient equipment.

Depreciation on U.S. Lines: Replacement accounting for track and depreciation accounting for equipment and other property except land has been continued in accordance with the regulations of the Interstate Commerce Commission.

*Note 2: Material and Supplies*

The inventory has been priced at laid down cost based on weighted average cost for ties, rails and fuel and latest invoice price for new materials in general stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

*Note 3: Capital Stock*

The capital stock of the Canadian National Railway Company (other than the four per cent preferred stock) and the capital investment of Her Majesty in the Canadian Government Railways are included in the net debt of Canada and disclosed in the historical record of government assistance to railways as shown in the Public Accounts of Canada.

*Note 4: Major Commitments**(a) Pension Funds:*

The Company has given a written acknowledgement to the Trustee of the Pension Funds for an amount not exceeding \$395,000,000 for the outstanding liability in respect of prior service of active employees.

*(b) Vacation Pay:*

In accordance with past practice the Company has not recorded the liability for vacations earned in 1963 which will be paid in 1964.

*(c) Chicago & Western Indiana Railroad Company:*

The Grand Trunk Western Railroad Company is liable jointly and severally with four other proprietors as guarantor of principal, interest and sinking fund payments with respect to \$10,997,000 First Collateral Trust Mortgage 4 $\frac{3}{8}$ % Sinking Fund Bonds due May 1, 1982 of the Chicago & Western Indiana Railroad Company. In addition, the proprietors are obligated to make annual sinking fund payments sufficient to retire the bonds at maturity and to meet interest as it falls due; in the absence of default of any of the other proprietors, Grand Trunk Western's proportion of such annual payments is one-fifth.

*(d) The Belt Railway Company of Chicago:*

The Grand Trunk Western Railroad Company is liable jointly and severally with eleven other proprietors as guarantor of principal, interest and sinking fund payments with respect to \$36,505,000 First Mortgage 4 $\frac{5}{8}$ % Sinking Fund Bonds series "A", due August 15, 1987 of the Belt Railway Company of Chicago. Each proprietor is to make payments to the extent required in proportion to its usage of the Belt's facilities in the preceding three years. For the three years ended December 31, 1963 Grand Trunk Western Railroad's usage was approximately 2.1% of the total.

*(e) Detroit & Toledo Shore Line Railroad Company:*

The Grand Trunk Western Railroad Company is jointly and severally liable with one other proprietor as guarantor of principal, interest and sinking fund payments with respect to \$2,708,000 First Mortgage 3 $\frac{1}{4}$ % 30-year series "A" Bonds, due December 1, 1982 of the Detroit & Toledo Shore Line Railroad Company.



## RAILWAY OPERATING REVENUES

	1963	1962
Freight Services.....	\$573,477,011	\$547,799,257
Passenger Services:		
Passenger.....	34,491,894	34,331,531
Sleeping, dining and parlour car, etc.....	9,862,221	9,645,296
	<u>44,354,115</u>	<u>43,976,827</u>
Mail.....	10,626,819	11,030,572
Express.....	45,602,316	46,963,146
Other.....	22,064,172	21,650,472
Interim Payments—Royal Commission on Transportation....	29,056,901	30,202,480
	<u>\$725,181,334</u>	<u>\$701,622,754</u>

## RAILWAY OPERATING EXPENSES

Road Maintenance.....	\$143,181,049	\$142,878,959
Equipment Maintenance.....	151,924,929	148,450,417
Transportation.....	312,530,459	309,058,698
Sales.....	17,182,774	16,361,800
Miscellaneous.....	6,956,866	6,152,519
General.....	61,725,269	58,704,428
	<u>693,501,346</u>	<u>681,606,821</u>
Railway Tax Accruals.....	22,839,768	22,746,605
Equipment and Joint Facility Rents.....	3,828,555	3,088,665
	<u>\$720,169,669</u>	<u>\$707,442,091</u>

## OTHER INCOME

Rent Income.....	\$ 3,707,769	\$ 3,443,272
Interest Income.....	2,160,206	1,976,129
Dividend Income.....	294,311	239,617
Amortization of premiums on shares purchased.....	(2,092,660)	—
Profit from sale of real property.....	4,548,963	2,435,994
Increased provision for insurance.....	(2,500,000)	—
Miscellaneous (Net).....	2,059,131	2,521,829
	<u>\$ 8,177,720</u>	<u>\$ 10,616,841</u>

## STANDING COMMITTEE

## PROPERTY INVESTMENT STATEMENT

Property Investment at December 31, 1962.....	\$3,890,909,261
Capital Expenditures in 1963	
New lines and diversions.....	\$16,894,937
Roadway improvements.....	36,784,387
Large terminals.....	13,569,383
Yard tracks and sidings.....	1,933,865
Buildings.....	3,817,361
Highway crossing protection.....	249,235
Signals.....	3,384,432
Roadway and shop machinery.....	1,685,641
Other facilities.....	1,335,151
Total—Road Property.....	79,654,392
Branch lines.....	3,767,491
Equipment.....	14,027,119
Telecommunications.....	27,335,643
Hotels.....	2,265,537
	<u>\$127,050,182</u>
Government of Canada net expenditure on Canadian Government Railways.....	1,645,579
Additions—U.S. Lines—in accordance with I.C.C. Order No. 32153.....	545,500
Additions to property in 1963.....	129,241,261
Deduction in respect of property retirements in 1963.....	55,651,273
	<u>73,589,988</u>
Property Investment at December 31, 1963.....	<u><u>\$3,964,499,249</u></u>

## RECORDED DEPRECIATION STATEMENT

Recorded Depreciation at December 31, 1962.....	\$ 738,344,856
Add Provision for depreciation for the year	
Road property.....	\$ 50,097,625
Equipment.....	45,058,777
Other Physical Properties.....	3,892,679
	<u>\$ 99,049,081</u>
Increase in recorded depreciation—U.S. Lines— in accordance with I.C.C. Order No. 32153.....	545,500
	99,594,581
Deduct Net Charges in respect of property retirements.....	36,889,512
	<u>62,705,069</u>
Recorded Depreciation at December 31, 1963.....	<u><u>\$ 801,049,925</u></u>

LONG TERM DEBT  
BONDS

Rate %	Maturity (See Note)		Currency in which payable	Outstanding at Dec. 31, 1962	Transactions Year 1963 Increase or Decrease	Outstanding at Dec. 31, 1963
2½	Feb. 1, 1963	Canadian National 8 Year 1½ Month Bonds.....	Canadian	\$ 250,000,000	\$250,000,000	
5½	Dec. 15, 1964 (a), (g)	Canadian National 5 Year gnds.....	Canadian	198,711,000	689,000	\$ 198,072,000
3	Jan. 3, 1966 (b)	Canadian National 17 Year Bonds.....	Canadian	35,000,000		35,000,000
2½	Jan. 2, 1967 (b)	Canadian National 20 Year Bonds.....	Canadian	50,000,000		50,000,000
4½	Apr. 1, 1967 (g)	Canadian National 6½ Year Bonds.....	Canadian	72,300,000		72,300,000
5	May 15, 1968 (g)	Canadian National 9 Year Bonds.....	Canadian	55,800,000		55,800,000
2½	Sept. 15, 1969 (c)	Canadian National 20 Year Bonds.....	Canadian	70,000,000		70,000,000
2½	Jan. 16, 1971 (d)	Canadian National 21 Year Bonds.....	Canadian	40,000,000		40,000,000
5½	Dec. 15, 1971 (g), (h)	Canadian National 12 Year Bonds.....	Canadian	289,000	639,000	928,000
3½	Feb. 1, 1974 (e)	Canadian National 20 Year Bonds.....	Canadian	200,000,000		200,000,000
2½	June 15, 1975 (f)	Canadian National 25 Year Bonds.....	U.S.	6,000,000		6,000,000
5	May 15, 1977 (g)	Canadian National 18 Year Bonds.....	Canadian	84,600,000	450,000	84,150,000
4	Feb. 1, 1981	Canadian National 23 Year Bonds.....	Canadian	300,000,000		300,000,000
5½	Jan. 1, 1985 (g)	Canadian National 25 Year Bonds.....	Canadian	99,500,000		99,500,000
5	Oct. 1, 1987 (g)	Canadian National 27 Year Bonds.....	Canadian	168,675,000	1,550,000	167,125,000
4½	Sept. 15, 1979	Grand Trunk Western Note.....	Can.-U.S.	400,000	400,000	
5½	Perpetual	Buffalo and Lake Huron 1st Mortgage Bonds.....	Sterling	795,366		795,366
5½	Perpetual	Buffalo and Lake Huron 2nd Mortgage Bonds.....	Sterling	1,228,398		1,228,398
5	Perpetual	Debenture Stock.....	Sterling	20,309	\$0, \$09	
		Total Bonds.....		1,633,319,073	252,420,509	1,380,898,764



## LONG TERM DEBT—Concluded

Rate %	Maturity (See Note)	Currency in which payable	Outstanding at Dec. 31, 1962	Transactions Year 1963 Increase or Decrease	Outstanding at Dec. 31, 1963
GOVERNMENT OF CANADA LOANS AND DEBENTURES					
	Capital Revision Act, Jan. 1, 1972 Debenture.....	Canadian	100,000,000		100,000,000
	Canadian Government Railways: Advances for Working Capital.....	Canadian	16,983,762		16,983,762
	Financing and Guarantee Acts: Loans.....	Canadian	58,206,244	2,835,244	55,371,000
	Refunding Act, 1955: Loans for Debt Redemption.....	Canadian	33,836,787	204,163,213	238,000,000
	Total Government of Canada Loans and Debentures.....		209,026,793	201,327,969	410,354,762
	Total Long Term Debt.....		\$1,842,345,866	\$ 51,092,340	\$1,791,253,526
Note: (a) Exchangeable on or before June 15, 1964 for 5½% bonds due Dec. 15, 1971					
	(b) Callable at par				
	(c) Callable at par on or after Sept. 15, 1964				
	(d) Callable at par on or after Jan. 16, 1966				
	(e) Callable at par on or after Feb. 1, 1972				
	(f) Callable June 14, 1962 to June 14, 1966 at 101%; thereafter to June 14, 1970 at 100½%; thereafter at par.				
	(g) Amounts of ⅓% or 1% of the original issues may be purchased quarterly through Purchase Funds operated under the conditions of each issue.				
	(h) issued in exchange for 5½% bonds due December 15, 1964.				
SHAREHOLDERS' EQUITY					
GOVERNMENT OF CANADA					
	No par value capital stock of Canadian National Railway Company.....		\$ 359,963,017	\$ 359,963,017	
	4% Preferred stock of Canadian National Railway Company.....		968,746,872	\$ 22,757,684	991,504,556
	Capital investment in Canadian Government Railways.....		439,267,036	1,645,579	440,912,615
	Total Government of Canada.....		1,767,976,925	24,403,263	1,792,380,188
	CAPITAL STOCK OF SUBSIDIARY COMPANIES OWNED BY PUBLIC.....		4,499,261	13,476	4,485,785
	Total Shareholders' Equity.....		\$1,772,476,186	\$ 24,389,787	\$1,796,865,973

## INVESTMENTS IN JOINTLY OPERATED RAIL AND TERMINAL FACILITIES

	Percentage Held	Investment at Dec. 31, 1962	Transactions Year 1963 Increase or Decrease	Investment at Dec. 31, 1963
<i>The Belt Railway Company of Chicago</i>				
Capital Stock.....	8.33	\$ 240,000		\$ 240,000
Advances.....		46,731	\$14,942	61,673
<i>Chicago &amp; Western Indiana Railroad Company</i>				
Capital Stock.....	20	1,000,000		1,000,000
Advances.....		7,113,869	27,132	7,086,737
<i>The Detroit &amp; Toledo Shore Line Railroad Company</i>				
Capital Stock.....	50	1,500,000		1,500,000
<i>Detroit Terminal Railroad Company</i>				
Capital Stock.....	50	1,000,000		1,000,000
<i>Northern Alberta Railways Company</i>				
Capital Stock.....	50	8,540,000		8,540,000
Bonds.....	50	16,902,500		16,902,500
<i>The Public Markets, Limited</i>				
Capital Stock.....	50	575,000		575,000
<i>Railway Express Agency, Inc.</i>				
Capital Stock.....	0.6	600		600
Advances.....		173,493		173,493
<i>The Shawinigan Falls Terminal Railway Company</i>				
Capital Stock.....	50	62,500		62,500
<i>The Toronto Terminals Railway Company</i>				
Capital Stock.....	50	250,000		250,000
Bonds.....	50	11,012,200	65,000	10,947,200
Advances.....		200,000		200,000
Total.....		\$48,616,893	\$77,190	\$48,539,703

## SOURCE AND APPLICATION OF FUNDS FOR THE YEAR 1963

Working Capital January 1, 1963.....	\$129,532,936
<i>Source of Funds</i>	
Provision for Depreciation.....	\$ 99,049,081
Issue of 4% Preferred Stock.....	22,757,684
Government of Canada in respect of deficit for the year....	43,013,517
Retained proceeds from Properties Retired.....	18,761,761
Victoria Bridge Track Diversion.....	13,980,827
Other (net).....	14,734,339
	<u>\$212,297,209</u>
<i>Application of Funds</i>	
Additions to Property Investment.....	\$127,050,182
Deficit for the Year.....	43,013,517
Decrease in Long Term Debt.....	51,092,340
	<u>\$221,156,039</u>
Net Decrease in Working Capital.....	8,858,830
Working Capital December 31, 1963.....	\$120,674,106

## INVENTORY OF RAILWAY EQUIPMENT

	On Hand Dec. 31, 1963
Motive Power Equipment	
Diesel Electric Units.....	2,114
Electric Locomotives.....	27
Steam Generator Units.....	108
Total.....	2,249
Freight Equipment	
Box, Flat and Stock Cars.....	73,316
Refrigerator Cars.....	4,919
Gondola and Hopper Cars.....	23,403
Caboose and Other Cars.....	2,043
Total.....	103,681
Passenger Equipment	
Coach Cars.....	677
Sleeping, Dining, Parlour and Tourist.....	550
Baggage, Mail and Express.....	1,274
Other Cars in Passenger Service.....	229
Total.....	2,730
Work Equipment	
Units in work service.....	9,145
Floating Equipment	
Car Ferries.....	6
Steamers.....	14
Barges, Tugs and Work.....	11
Total.....	31

## OPERATED MILEAGE AT DECEMBER 31, 1963

	Owned	Leased	Trackage Rights	Total
Operated Road Mileage—first main track				
Atlantic Region.....	3,859	1	83	3,943
St. Lawrence Region (including New England Lines).....	3,903	7	16	3,926
Great Lakes Region.....	3,303		16	3,319
Prairie Region (including Duluth, Winnipeg and Pacific).....	8,104		5	8,109
Mountain Region.....	4,066	35	85	4,186
Grand Trunk Western Lines.....	879	10	58	947
Central Vermont Lines.....	308		59	367
Total.....	24,422	53	322	24,797
Lines in Canada.....	22,829	36	202	23,067
Lines in United States.....	1,593	17	120	1,730
Operated Mileage—all Tracks				
First Main track.....	24,422	53	322	24,797
All other main lines.....	1,133		82	1,215
Spurs, sidings and yard tracks.....	7,073	16	1,652	8,741
Total all tracks.....	32,628	69	2,056	34,753



## PENSION TRUST FUNDS BALANCE SHEET AT DECEMBER 31, 1963

## ASSETS

*Current Assets*

Cash: In Banks—Current Accounts.....	\$	285,069	
—Time Deposits.....		900,000	
Deposits with Trust Companies.....		1,787,392	
		<hr/>	
		2,972,461	
Accrued interest on investments.....		4,167,468	
Accounts receivable:			
Canadian National Railways—current account.....		1,659,936	
Banks, Insurance and Trust Companies re Mortgages.....		394,746	
Other.....		26,481	
		<hr/>	
			\$9,221,092

*Investments*

Stocks—at cost.....(Market value \$ 62,333,607)	55,765,863		
Bonds—at amortized value...(Market value \$261,804,866)	282,625,280		
Mortgages—at amortized value.....\$143,065,760			
less holdbacks.....	77,081	142,988,679	481,379,822

*Canadian National Railways*

Acknowledged liability in respect of past service of employees.....	395,000,000		
			<hr/>
			\$885,600,914

## LIABILITIES

*Current Liabilities*

Accounts Payable.....	\$	113,977
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*Reserve for Pensions*

In respect of pensions in force and pensions accruing to active employees under the 1935 and 1959 Pension Plans.....	885,486,937		
			<hr/>
			\$885,600,914

NOTE: The Reserve for Pensions includes the accumulated contributions of certain employees in service, with interest thereon, which are held in trust under the rules of the 1935 Pension Plan as follows:

Annuity Trust Fund.....	\$	12,945,901
Supplemental Annuity Trust Fund.....		2,419,642
		<hr/>
		\$ 15,365,543

L. J. Mills,  
Comptroller

## PENSION TRUST FUNDS STATEMENT OF RESERVE AT DECEMBER 31, 1963

Reserve at December 31, 1962.....	\$845,599,085
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*Addition to Reserve during the year:*

## Contributions from employees on account of—

Current service.....	\$ 18,408,485
Prior years' deficiencies.....	4,642,264

	23,050,749
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Less refunds on termination of service, etc..	3,368,030
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	\$ 19,682,719
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Contributions by the Company.....	28,146,069
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Net earnings on contributions made by the Company and employees.....	21,535,338
--	------------

	69,364,126
--	------------

	914,963,211
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*Deductions from Reserve during year:*

Pensions paid.....	29,476,274
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Reserve at December 31, 1963.....	\$885,486,937
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## AUDITORS' REPORT

To the Trustee,  
Canadian National Railways Pension Funds.

We have examined the balance sheet of the Pension Trust Funds of the 1935 and 1959 Pension Plans of Canadian National Railways at December 31, 1963 and the statement of reserve for pensions for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statement of reserve for pensions are properly drawn up so as to give a true and fair view of the state of the affairs of the Funds at December 31, 1963 and of the results of their operations for the year ended on that date according to the best of our information and the explanations given to us and as shown by the books of the Funds, and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Trustee and that the transactions that have come under our notice have been within the powers of the Trustee.

McDonald, Currie & Co.,  
Chartered Accountants

February 25, 1964

## ACTUARIAL CERTIFICATE

This is to certify that the Reserve shown in the Balance Sheet of the Pension Trust Funds of Canadian National Railways, amounting to \$885,486,937 as at December 31, 1963, in my opinion, represented adequate provision for the accumulated liabilities of pensions then approved and in force, pensions awaiting approval and pensions accrued to the above date in respect of employees then in service under the 1935 and 1959 Plans, excluding pensions granted under prior Plans.

Denis R. J. George,  
Fellow of the Institute of Actuaries.

William M. Mercer Limited  
Montreal, February 21, 1964.

## STATISTICS OF RAIL-LINE OPERATIONS

	1963	1962	% Increase or Decrease
<i>Train Miles</i>			
Freight service.....	35,796,950	34,283,043	4.4
Passenger service.....	17,079,631	18,096,980	5.6
Work service.....	1,802,601	1,634,258	10.3
Total train miles.....	54,679,182	54,014,281	1.2
<i>Locomotive Miles</i>			
Freight service.....	36,116,058	34,545,765	4.5
Passenger service.....	15,131,531	16,072,350	5.9
Switching service—Road and Yard.....	17,868,774	17,947,807	0.4
Work service.....	1,845,157	1,657,702	11.3
Total locomotive miles.....	70,961,520	70,223,624	1.1
<i>Car Miles</i>			
Freight Service:			
Loaded.....	1,180,853,158	1,110,109,898	6.4
Empty.....	746,696,479	680,423,883	9.7
Other.....	12,753,719	14,257,575	10.5
Caboose.....	36,667,660	35,075,508	4.5
Passenger—Coach and Combination.....	2,710,376	3,231,400	16.1
	1,979,681,392	1,843,098,264	7.4
Passenger Service:			
Coach and Combination.....	38,557,790	39,278,731	1.8
Sleeping, Parlour and Observation....	39,811,267	40,601,819	1.9
Dining.....	9,005,292	7,948,251	13.3
Motor Unit.....	3,876,828	3,806,184	1.9
Other (baggage and express, etc.)....	70,663,805	79,132,838	10.7
Freight—loaded.....	1,100,731	1,423,952	22.7
Freight—empty.....	157,786	372,441	57.6
	163,173,499	172,564,216	5.4
Work Service.....	2,869,321	2,804,515	2.3
Total car miles.....	2,145,724,212	2,018,466,995	6.3
<i>Ton miles</i>			
Gross ton miles—all services (excluding passenger cars on passenger trains)...	89,026,289,000	80,715,356,000	10.3
Net ton miles—all services.....	40,751,668,000	36,110,915,000	12.9
Average Miles of Road Operated.....	24,709.57	24,753.38	0.2
<i>Freight Traffic</i>			
Freight revenue.....	\$ 552,221,071	529,307,712	4.3
Tons carried—Revenue freight.....	84,078,393	78,384,773	7.3
Ton miles—Revenue freight.....	40,171,173,489	35,595,425,349	12.9
Train hours in freight road service...	1,573,046	1,548,194	1.6
Averages Per Mile of Road:			
Freight revenue.....	\$ 22,348	21,383	4.5
Train miles.....	1,449	1,385	4.6
Total freight train car miles.....	79,549	73,827	7.8
Ton miles—Revenue freight.....	1,625,733	1,438,003	13.1
Ton miles—All freight.....	1,649,226	1,458,828	13.1
Averages Per Loaded Car Mile:			
Freight revenue.....	¢ 46.7	47.6	1.9
Ton miles—All freight.....	34.5	32.5	6.2



## STATISTICS OF RAIL-LINE OPERATIONS (CONTINUED)

	1963	1962	% Increase or Decrease	
<i>Freight Traffic (Continued)</i>				
Miscellaneous Averages:				
Revenue per ton..... \$	6,568	6,753	2.7	
Revenue per ton mile..... ¢	1,375	1,487	7.5	
Miles hauled per revenue ton.....	477.8	454.1	5.2	
Cars per train—loaded.....	33.0	32.4	1.9	
Cars per train—empty.....	20.9	19.8	5.6	
Gross load—Freight trains (tons)....	2,485	2,352	5.7	
Net load—Freight trains (tons).....	1,138	1,053	8.1	
Gross ton miles per freight train hour	56,561	52,085	8.6	
Train speed—Miles per hour.....	22.8	22.1	3.2	
Diesel unit miles per serviceable day (excluding stored).....	234	217	7.8	
<i>Passenger Traffic</i>				
Passenger revenue..... \$	34,491,894	34,331,531	0.5	
Revenue passengers carried*.....	13,598,961	12,443,945	9.3	
Revenue passenger miles*.....	1,189,051,239	1,044,192,458	13.9	
Averages Per Mile of Road:				
Passenger revenue..... \$	1,396	1,387	0.6	
Train miles.....	691	731	5.5	
Total passenger train car miles.....	7,173	7,603	5.7	
Revenue passenger miles*.....	48,121	42,184	14.1	
Averages Per Car Mile—Passenger:				
Passenger revenue..... ¢	41.3	40.2	2.7	
Revenue passenger miles*.....	14.2	12.2	16.4	
Miscellaneous Averages:				
Revenue per passenger*..... \$	2,536	2,759	8.1	
Revenue per passenger mile*..... ¢	2,901	3,288	11.8	
Average passenger journey (miles)*..	87.4	83.9	4.2	
Percent on time arrival—selected principal trains.....	80.8	79.3	1.9	
Diesel unit miles per serviceable day (excluding stored).....	385	379	1.6	
<i>Operating Results</i>				
Total operating revenues per mile of road \$	30,852	29,827	3.4	
Total operating expenses per mile of road.	30,467	29,850	2.1	
Net railway operating income <i>loss</i> per mile of road.....	385	23		
*Note: In 1963 an improved method was used in compiling these statistics. For comparability the 1962 figures have been restated.				
	1963	1962	Increase or Decrease	
			Tons	%
<i>Revenue Tonnage Carried by classes of of Commodities</i>				
Agricultural Products.....	15,953,322	13,464,634	2,488,688	18.5
Animals and Animal Products.....	630,869	662,726	31,857	4.8
Mine Products.....	28,015,448	27,108,716	906,732	3.3
Forest Products.....	9,335,912	9,096,858	239,054	2.6
Manufactured and Miscellaneous.....	29,506,969	27,256,436	2,250,533	8.3
Total Carload Freight.....	83,442,520	77,589,370	5,853,150	7.5
All less than carload freight.....	635,873	795,403	159,530	20.1
GRAND TOTAL.....	84,078,393	78,384,773	5,693,620	7.3

## A 25-YEAR SYNOPSIS HISTORY OF THE CANADIAN NATIONAL RAILWAYS

Year	Gross Revenues	Railway Operating Revenues*	Railway Operating Expenses*	Net Railway Operating Profit or Loss*	Other Income*	Surplus or Deficit Interest Charges	Interest on Debt	Surplus or Deficit	Freight Revenue per Ton Mile	Revenue Passenger Miles	Revenue per Passenger Mile	Average Number of Employees
	Millions	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	Thousands	c	Millions	c	
1939	\$207.2	\$199,517	\$187,091	\$12,246	\$ 967	\$13,393	\$53,488	\$40,095	.938	875	2.035	81,672
1940	251.5	243,099	207,115	35,984	356	36,430	53,305	16,965	.904	1,125	1.929	86,366
1941	308.8	299,230	243,766	55,464	1,174	57,178	53,162	4,016		1,762	1.810	95,362
1942	380.6	369,745	295,306	74,439	2,294	76,733	51,670	25,063	.909	2,708	1.784	100,651
1943	446.0	433,527	353,158	80,369	7,460	87,829	52,190	35,639	.894	3,619	1.848	106,893
1944	446.8	434,149	366,680	67,469	6,032	73,501	50,474	23,027	.893	3,697	1.888	108,278
1945	439.7	426,233	358,972	67,261	6,505	73,766	49,010	24,756	.915	3,338	1.953	110,591
1946	407.6	393,246	361,634	31,612	6,111	37,723	46,685	8,962	.975	2,289	2.190	109,809
1947	446.0	430,512	406,335	24,177	5,864	30,041	45,926	15,885	1.040	1,845	2.332	112,801
1948	499.7	483,396	471,589	11,807	1,002	12,809	46,342	33,533	1.195	1,755	2.368	115,395
1949	509.4	491,478	484,728	6,750	161	6,589	48,632	42,043	1.276	1,621	2.671	116,057
1950	562.6	543,275	502,252	41,023	3,138	44,161	47,422	3,261	1.394	1,408	2.834	116,347
1951	634.1	612,802	585,615	27,187	5,958	33,145	48,177	15,032	1.369	1,611	2.947	124,608
1952	684.5	661,349	640,233	21,116	4,441	25,557	25,415	142	1.397	1,635	2.964	131,297
1953	707.7	680,669	660,248	20,421	9,199	29,620	29,376	244	1.509	1,539	2.984	130,109
1954	652.1	623,552	623,965	413	4,182	3,769	32,527	28,758	1.529	1,472	2.973	122,237
1955	693.9	664,613	630,140	34,473	9,249	43,722	33,004	10,718	1.511	1,464	3.001	119,430
1956	785.7	754,931	710,977	43,954	13,906	57,860	31,783	26,077	1.461	1,501	3.054	126,639
1957	764.4	732,427	735,679	3,252	10,651	7,399	36,972	29,573	1.601	1,499	3.124	124,620
1958	716.3	680,993	698,327	17,334	12,264	5,070	46,521	51,591	1.554	1,269	3.270	113,086
1959	751.9	712,976	719,000	6,024	11,234	5,210	48,798	43,588	1.613	1,272	3.159	111,538
1960	723.4	663,214	681,692	18,478	12,004	6,474	61,023	67,497	1.547	1,208	3.171	104,155
1961	745.5	677,380	693,605	16,225	11,393	4,832	62,476	67,308	1.480	1,076	3.234	99,564
1962	772.1	701,623	707,442	5,819	19,398	13,579	62,498	48,919	1.487	1,044	3.288	97,922
1963	800.0	725,181	720,170	5,011	16,179	21,190	64,204	43,014	1.375	1,189	2.901	92,571**

\* Restated to reflect inclusion of net income from Telecommunications Department in Other Income.

\*\* Based on a new method of counting effective January 1, 1963. On former method of counting, the 1963 average was 95,906.

The CHAIRMAN: I would point out at this time that there are microphones at the tables with which you are familiar. They are not live unless you are recognized by the Chair. So I hope, as in the past, there will be co-operation by all members of the committee. Let us proceed with this report immediately, section by section. We were very fortunate last year that we managed to stay within the bounds of each section and dispose of the financial items under the first heading "financial review", and to dispose of hotels under "hotels", and not have to come back later and intermix the different problems. So if it is the wish of the committee I would now call for a discussion on the first item. But before doing so I should have recognized the fact—although you did no doubt—that the Minister of Transport is with us this morning. I understood he would like to say a few words.

Hon. J. W. PICKERSGILL (*Minister of Transport*): I would like to apologize for being late. I am rather old fashioned, and I thought that the railway committee would be sitting in the railway committee room. But when I went there I found nothing but a lot of television equipment. After some time I discovered where the committee was sitting.

What I really asked the Chairman to let me say a word to you about is this: in view of what is going on in the House of Commons, I may be faced with a conflict of duties at various stages while the committee is sitting. Therefore, I hope that the members of the committee will excuse me if I am not here all the time. It would be because I am "there".

Mr. GRÉGOIRE: That is exactly what I said at the beginning of the sittings. I knew we were sitting and receiving Mr. Gordon. I knew that yesterday. I ask the committee—and I hope the minister will agree—that we do not sit while the house is sitting during the flag issue. These are two important discussions which would be going on at the same time. I suggest it is not normal that the Minister of Transport should ask us to consider these reports before the standing committee instead of before the sessional committee, when we never expected they would be dealt with at the same time as the flag issue was before parliament. I hope the minister will agree that we do not sit while the house is dealing with the flag issue.

The CHAIRMAN: I think we disposed of that question a while ago. If there is any change to be made now, surely it will have to be made by the house. And if the minister has a request to make such a change, no doubt he will do so at the proper time.

Mr. KINDT: Let me say that unless the minister is here, what is the use of holding these committee meetings? If we are going to be talking about branch line abandonment and other things, we want the minister to be here. If it is not important enough for the minister to be here, then why is it important enough for the rest of us to be here? We are not here for the fun of it. I suggest it is up to the minister to be here, because he is the one who is head of the department.

The CHAIRMAN: Order. We had a discussion about it a while ago, but I do not mind coming back to it if it is the wish of the committee. However the committee decided to sit this afternoon and again tonight. That was their decision. The house at a later time could change it. But I do not think we should reopen the discussion at the moment.

Mr. GRÉGOIRE: Would the minister not agree that the proposition I raised was a normal one?

Mr. PICKERSGILL: I do not know what rights I have here. I am not a member of the committee. I am only here as minister. I think it is the committee itself which should decide these matters.

Mr. GRÉGOIRE: I so move.



Mr. BALCER: Might we not have a decision? What was the result or decision taken? I am sorry I was late.

The CHAIRMAN: It was decided by the committee that we should sit after the orders of the day.

Mr. GRÉGOIRE: I move—

The CHAIRMAN: One moment, Mr. Grégoire, please. We decided to sit after the orders of the day this afternoon, and also this evening at eight o'clock.

Mr. GRÉGOIRE: I now move, seconded by the hon. member for York North, that the committee not sit while the house is sitting, but this motion to apply only during the discussion on the flag.

Mr. HORNER (*Acadia*): Are you suggesting that everything stops in parliament as a whole because of the flag discussion, and that we come to a complete standstill?

Mr. GRÉGOIRE: No. I am prepared to sit on this committee every morning.

Mr. PASCOE: Let us hear from the witnesses whether it would inconvenience them greatly or not. There are many important people here today.

Mr. GORDON: If you would like to introduce me as a witness on the flag issue in the house, I would be happy to accommodate you.

The CHAIRMAN: There is a motion before the committee put by Mr. Grégoire and seconded by Mr. Addison that this committee do not sit during the flag debate.

Mr. GRÉGOIRE: We could start at nine o'clock in the morning.

The CHAIRMAN: The motion is that we do not sit during the flag debate.

Mr. RHÉAUME: How did we arrive at the notice that was sent out?

The CHAIRMAN: The steering committee decided it.

Mr. RHÉAUME: The decision was taken by the steering committee?

The CHAIRMAN: Yes.

Mr. RHÉAUME: What are we doing now in changing it without notifying all the members of the committee? What kind of nonsense is that?

Mr. ROCK: Surely it is the custom for notices to be sent out indicating what is to be discussed by the committee. But I did not know until this morning that we were going to discuss the Canadian National Railways report. It is usual in the case of other committees that we receive a notice of what is to be discussed. I was surprised to learn only this morning that we would have such an important matter for discussion as the Canadian National Railways financial report or its annual report.

The CHAIRMAN: That is the only item of business before this committee at the present time, Mr. Rock.

Mr. GRÉGOIRE: Speaking to the motion, I would like to remind the Minister of Transport that when we agreed that this report should go before the standing committee instead of a sessional committee, he pointed out in the house that we would be made aware in advance when this report would be presented, so that changes in the personnel could be effected. I learned only yesterday that this committee was to sit this morning. I never received such a card. I only learned about it through *Votes and Proceedings* yesterday. I never received this card, yet I am a member of this committee.

The CHAIRMAN: I think it would be unfair to everybody. Your whip was notified and was present at the meeting of the steering committee. Are we ready for the question?

Mr. GRÉGOIRE: There was a commitment made by the Minister of Transport that we would be notified when we were to take up this report.

The CHAIRMAN: Are you ready for the question? All those in favour? Those against?

Motion negatived.

I declare the motion lost.

Now, let us proceed with the discussion on the first item, financial review.

Mr. GORDON: Might I make one short statement. I would like to introduce a pleasant note to start off and to say that in Ottawa today the Canadian National Railways have placed two new dining cars which have been introduced into the railways' passenger service. These cars are of a very distinct type. They produce pre-cooked type meals heated over a microwave oven to produce delicious hot meals in a matter of seconds. I would invite all members of the committee who wish to have lunch with us, to come to the Union Station any time after 12.30 p.m. You will then have an opportunity to eat a very fine meal and at the same time look over the new dining-car facilities which will be made available. Any member of the committee who would like to be there after 12.30 p.m. is welcome, and we would be very glad to receive him. We will accept all members of the committee if necessary, and I am thinking of those absent members, if you would like to bring them along.

The CHAIRMAN: Our first item of business is "financial review".

Mr. PRITTIE: I would like to get right into the question of the long term debt that Mr. Gordon speaks about. I believe his idea is that he would like to have the government re-finance at a lower interest rate some of the Canadian National Railways bonds. Would Mr. Gordon point out to me, on page 25, what these bonds are, and the particular ones under the heading of long term debts listed there?

Mr. GORDON: Our long term debt, as you will see from page 25, is a debt accrued with issues outstanding, and it totals up to \$1,791,253,526. That is the amount of debt outstanding on which we have to pay interest.

Mr. PRITTIE: Might I ask another question. In respect of the last two or three items, most of this debt seems to be for bonds which have been issued in the last 15 to 20 years. Is that not so?

Mr. GORDON: Yes.

The CHAIRMAN: Are there any other questions?

Mr. PRITTIE: The interest rates do not seem to be very high in some cases. Do you expect to have lower interest rates, and to issue government bonds rather than Canadian National Railways bonds?

Mr. GORDON: We have made proposals to the government to effect re-capitalization of the company. These proposals are not a matter of public knowledge and I cannot give particulars of the proposals until the government is ready to release them. It is a fact, as I have indicated at page 16, that:

Most of this debt can be identified as a legacy from the past through a deficiency in depreciation practices which restricted the company's ability to finance capital expenditures from internal sources.

That means that when our equipment became worn out, and other property, it had to be renewed, and the fact was that there had not been sufficient depreciation set up to provide the capital which would have enabled us to renew this equipment and other types of property. Consequently, we had to borrow it; and we had to borrow it by going to the public market and paying the price of that time, whatever the market rate might have been, when we floated these bond issues, in order to finance and provide the capital necessary for this rehabilitation of the railway.

In essence, our proposal is a representation to government that these depreciation practices of the past—what we call unrequited depreciation—

should now be recognized in such fashion as will relieve us from the burden of that interest applicable to the issues we have made on the market.

Mr. PRITTIE: Is the point the fact that you have to borrow, not the rates of interest as such?

Mr. GORDON: That is right. You have the point exactly; it is the fact that we had to raise our capital by borrowing instead of being able to generate it out of our own resources.

One important point to keep in mind is that from 1956 onwards, with the adoption of what is called uniform accounting practices, practices that were authorized and regularized by the Board of Transport Commissioners, Canadian National Railways have made full provision for necessary depreciation in the future.

Our claim—if we can call it that—for relief is based on the fact that prior to 1956 these practices of providing for full depreciation had not been in force so that the unrequited depreciation—the term that we use in accounting jargon—applies to the past.

I have one final comment. If these depreciation practices had been applicable before 1956 on the same basis as those which have been applicable since 1956, then the results of the years prior to 1956, if there were a deficit, would have shown a larger deficit in terms of the amount of depreciation which then would have been taken into account. The money would have been available in depreciation reserves to buy new equipment when the time came for it to be purchased. So we want to wipe out the effect of the deficiency practices of the past.

Once these adjustments are made, the railway will be able to finance any future capital requirements out of its own resources.

*(Translation)*

Mr. GRÉGOIRE: Mr. Gordon, on page 20 of the report, we see, we realize nevertheless, on page 20 of the report, we realize nevertheless that your assets are equal to your liabilities. So, when you pay interest on the debt of the Canadian National, even—

*(Text)*

Mr. ROCK: On a point of order, Mr. Chairman, are we not still discussing the subject matter raised by Mr. Prittie?

Mr. GRÉGOIRE: Yes, I am discussing it.

The CHAIRMAN: We are discussing the financial review.

Mr. ROCK: So I may come back to the subject raised by Mr. Prittie?

Mr. GRÉGOIRE: I am on the subject raised by Mr. Prittie.

Mr. ROCK: You are turning it into something else.

Mr. GRÉGOIRE: No.

*(Translation)*

So if your assets are equal to your liabilities you pay interest on borrowed amounts which are represented by an asset of the Canadian National Railways.

*(Text)*

Mr. GORDON: Yes. Of course, any debt that we have outstanding in the hands of the public or owed to the government is a debt upon which we pay interest, and that is the interest to which I have been referring.



(Translation)

Mr. GRÉGOIRE: But that debt is represented by Canadian National assets? So you do not pay twice for old equipment and new equipment?

(Text)

Mr. R. T. VAUGHAN (*Secretary, Canadian National Railways*): Could you elaborate the point?

Mr. GORDON: I want to think about that.

Mr. VAUGHAN: Perhaps it would be helpful if the point were elaborated.

Mr. PRITTE: Mr. Chairman—

Mr. GORDON: One minute; I would like to think about this. This is not an easy question to answer.

If the depreciation practices that I have outlined had been in force prior to 1956, then the deficits of the years applying back beyond 1956 would have been greater, and those deficits would have been paid to Canadian National Railways out of the public accounts of the year. In other words, the government makes good the deficit every year.

To the extent that full depreciation was not set up, the Canadian National Railways did not receive that money and therefore were not able to accumulate a reserve for the purpose of taking care of equipment and property, and so forth, that was worn out. That being the case, Canadian National Railways have had to borrow the money instead of getting money from the government. On the money borrowed, it has paid interest at the rates outlined on page 25. So it is paying interest on that outstanding money, but it is not paying it twice; it is only paying it in respect of the debt outstanding. However, here is a queer sort of twist in this because it could be said that if the Canadian National Railways had received the depreciation payments prior to 1956 they would have had that money in hand and would have been earning interest on it.

(Translation)

Mr. GRÉGOIRE: But Mr. Gordon, when one looks at the results of the past twenty-five years, for sixteen years you have had deficits of forty million dollars, sixteen million, eight million, fifteen million, thirty-three million, forty-two million, fifteen million and in the last few years, sixty-seven, sixty-seven, forty-eight and forty-three million dollars. Does that mean—you received those amounts from the government to make up your deficits—would that not balance the amounts which, in previous years, the preceding management did not provide for depreciation?

(Text)

Mr. GORDON: No.

(Translation)

Mr. GRÉGOIRE: Would that not be equal to the amount you set aside for depreciation the preceding years? Would it be less?

(Text)

Mr. GORDON: No. You see, Mr. Grégoire, the deficits recorded, to which you have referred, did not include a charge for depreciation to the extent which I have mentioned. In other words, if the depreciation charges were made in the way I have described, those deficits in each of those years would have been greater and then the greater amount would have been the amount we would have put into the reserve for depreciation.

To repeat, these deficits are not high enough to take care of the full depreciation that I mentioned.

(Translation)

Mr. GRÉGOIRE: One last question, Mr. Gordon, I have here the financial report of the Canadian Pacific for 1963. I see that in 1963 Canadian National had a surplus of twenty-one million dollars and the Canadian Pacific, 56.6 million dollars. Of course the interest or regular expenses of the Canadian National amount to sixty-four million dollars and those of the Canadian Pacific to sixteen million but the Canadian National received a subsidy in addition to those granted under the Freight Rates Act, the Canadian National receive a subsidy of twenty-nine million dollars and the Canadian Pacific does not receive one, and in addition the Canadian Pacific paid forty-three million dollars on income tax on their profits.

(Text)

Mr. GORDON: May I interrupt? You are referring to the subsidy payments which appear on page three. You are quite wrong in saying that the Canadian Pacific Railway does not receive those subsidies. They receive the proportion of the subsidy applicable to any of their operations, just as we do. They have their share of interim payments, for example; naturally, they do not get the Newfoundland subsidy because they do not operate there, but they get the freight rates reduction subsidy, the Maritime Freight Rates Act, the east-west bridge subsidy and interim payments. The Canadian Pacific Railway receives prorated subsidies in exactly the same way as Canadian National.

(Translation)

Mr. GRÉGOIRE: Even on the provisional subsidy and on the Act—

(Text)

Mr. GORDON: Yes, indeed, on the interim subsidy. The interim subsidy, you will recall, was \$50 million. The \$50 million was divided among all the Canadian railways; our portion of it was \$29 million, as you will see, and the rest of it went to Canadian Pacific Railway and some smaller railways such as Algoma Central and so on. The Canadian Pacific Railway received its full share of that interim subsidy.

(Translation)

Mr. GRÉGOIRE: Now, I also see that the Canadian Pacific pay taxes on the revenue derived from the company's profits, of approximately \$28,700,000, does the Canadian National not pay any taxes? In fact, how—

(Text)

Mr. GORDON: Just one moment. That becomes a question of fact. The Canadian Pacific Railway pays income taxes because it makes a profit. Canadian National Railways are also subject to income taxes and will pay them when it earns a profit, but one does not pay taxes in this country so far on deficits.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, if you will let me finish my question you will probably see what I mean. I am well aware that a company that is not making any profit does not pay taxes and if there is a deficit, usually the government does not take care of the deficit for a private company. So, the company pays \$28,700,000 in taxes and pays its shareholders amounts in the order of thirty-six million dollars last year. Is there any special reason why the Canadian Pacific can manage with this amount of profit to pay taxes and dividends to their shareholders, while the Canadian National manages to have a deficit of forty-three million dollars although they do not pay taxes, or profits or dividends, to their shareholders?

(Text)

Mr. GORDON: Yes, I think there are some very obvious reasons and it would take a good deal of discussion to go into all of them, but you must remember that the Canadian Pacific Railway—and this is point number one—earns profits on outside income from ventures other than the railway. One of the outstanding examples—

Mr. GRÉGOIRE: Canadian National Railways, too.

Mr. GORDON: No, we have nothing of that kind. We have not control of the Consolidated Mining and Smelting Company, for example; and the Canadian Pacific Railway obtains income from quite a number of other investments.

There is a second point, if I may continue, and this is the whole basis about which we are talking. If we have an acceptance of our proposals in regard to eliminating the difficulties in the deficiency of past depreciation practices, then I am predicting that Canadian National Railways will show a profit. That profit will be commensurate, so to speak, with the railway part of the Canadian Pacific Railway operations and we will pay income tax on the same basis as the Canadian Pacific Railway. But we have to eliminate this shadow of the past before we can put ourselves on a basis that can be properly compared with the Canadian Pacific Railway, and this is one of the main arguments that we are putting before government. We are saying that if we are to remove the confusion which is in the public mind about the comparison of Canadian National Railways versus the Canadian Pacific Railway, then we must put them on the same basis. At the moment they are not on the same basis and the depreciation practices, the accounting practices, are not the same, as you can see at a glance from the Canadian Pacific Railway report.

Have you a Canadian Pacific report there? If you look at the amounts in the balance sheet of the Canadian Pacific Railway in respect of the amount of depreciation you will see that their depreciation is much higher than ours relative to the total assets, which demonstrates the point, I think, that they have been able to accumulate depreciation over the years on a much bigger basis than we have. I have not the exact figure in my mind so I will just give it to you roughly—and I may be checked on this. If we had the same relative amount of depreciation in respect of our property investment account as has the Canadian Pacific Railway, our depreciation reserve would be pretty close to a billion dollars more than it is today.

Mr. J. L. TOOLE (*Vice President, Accounting and Finance, Canadian National Railways*): That figure is about right. It is pretty close to that.

Mr. GRÉGOIRE: That is what they have—\$1 billion.

Mr. GORDON: Our depreciation reserves would be at least about a billion dollars higher than they are today. That is the nub of our presentation, and that represents the deficiency in our depreciation reserves. If we had that amount of depreciation accumulated, our outstanding debt would be that much less.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, I see here that other revenues for the Canadian Pacific are twenty-one million dollars and for the Canadian National, sixteen million dollars. Now, the point on which I wish to speak is this: does the Canadian National ask the government to wipe off their debt completely and does the Canadian National begin all over again with its capital, that is, its assets, but with no debt so that the Canadian National will have no interest to pay?

(Text)

Mr. GORDON: No, we are only asking that the shortfall in our depreciation, as it applies to the past, should now be recognized in the sense that we should be relieved of the interest on that amount of debt and that amount only.



I cannot at the moment disclose what that amount will be because the government is still discussing the figures with us, but the amount we can approve in the course of our accounting discussions represents the shortfall in our depreciation, and then our proposal is that that shall be taken over by the government in respect of interest payments, and that will reduce our debt by that amount, and that only.

The CHAIRMAN: Gentlemen, I have Mr. Rapp, Mr. Horner, Mr. Rock, Mr. Balcer, Mr. Addison and Mr. Fisher listed.

Mr. PRITTIE: Mr. Grégoire started to ask questions before I had finished my line of questioning, and I had one more question to ask.

The CHAIRMAN: We will come back to you, Mr. Prittie. I have a long list of members wishing to ask questions so I will give some of them a chance and we will come back to you.

Mr. RAPP: Mr. Chairman, my question is in reference to a statement made on page three in connection with the potash movement.

Mr. FISHER: I would like to raise a point of order here. We have started to discuss the whole question of Canadian National Railways' debt arising out of the financial review. Are we to complete that first? That is the area in which I wish to ask questions. I am interested in what Mr. Rapp is asking, but it does not move us on past this area.

The CHAIRMAN: Is your question on the first general financial review, Mr. Rapp, on page two?

Mr. RAPP: I wish to refer to page three.

The CHAIRMAN: Then let us wait for that. Mr. Horner, is your question in reference to page two?

Mr. HORNER (*Acadia*): My question concerns the financial review.

I gather, Mr. Gordon, from your remarks that your write-off in the fifties was not large enough to cover the vast depreciation on steam engines and equipment in general.

Mr. GORDON: It goes back beyond that.

Mr. HORNER (*Acadia*): It goes back beyond the fifties?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): I do not see, looking at the table on page 32, the total amount of debt written in but I see the interest on the debt. It was sharply reduced in 1952.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): In 1951 you were paying \$48 million interest and in 1952 that was sharply reduced; it went down to \$25 million. From that time on it has built up again to, in 1963, \$64 million. Therefore I would imagine that the debt also has climbed largely since 1952.

Mr. GORDON: The debt arises out of the fact that we did not have reserves for depreciation applying to the past. If we had had those, we would not have had to borrow.

Mr. HORNER (*Acadia*): But I am saying that most of the reserves for depreciation should have been taken out since 1952.

Mr. GORDON: No.

Mr. HORNER (*Acadia*): What is the total debt of Canadian National Railways now in your accounting system?

Mr. GORDON: The total debt which we have just mentioned and which is shown on page 25, long term, is \$1,791 million.

Mr. HORNER (*Acadia*): How much was it in 1952 after the reconsolidation?

Mr. VAUGHAN: About \$1,400 million. Before capital revision.

Mr. GORDON: It was \$1,400 million. The adjustment at that time was about \$736 million. You see, there was a Capital Revision Act in 1952 which provided relief to some extent at that time but it did not cover this point of the unrequited depreciation.

Mr. HORNER (*Acadia*): This may be true with regard to your under depreciation during the fifties or prior to the fifties, but I say that quite a lot of it was during the fifties. Do you not believe that if this was written off you would have a very inaccurate comparison with regard to management? You say in your last paragraph that unless it is written off you will have an inaccurate reflection on management and employee efficiency, but would you not have a very inaccurate bookkeeping system if you wrote off all debt charges?

Mr. GORDON: If we wrote off all debt charges, yes; but that is not what we are proposing to do. We are proposing to recognize the shortfall of depreciation as it applies to the fact.

Mr. HORNER (*Acadia*): What would be the proportion of this shortfall?

Mr. GORDON: This is my problem. These representations have been made to government. I do not think it is right for me to start giving details of these proposals until government is ready to disclose them. There has been promised a capital revision act which, we hope, will come before you this session. It has been mentioned several times in the House of Commons as legislation the government will bring in. At that time there will be full disclosure of all particulars of the figures about which we are talking just now. I do not want to appear at all reluctant about disclosing the figures, but I do not think I can do that until the government proposals are put in the form of legislation.

Mr. FISHER: On a point of order, Mr. Chairman, this is a very important point and I would like to point out that Mr. Gordon has in a sense taken to the hustings on this very issue in the sense that he has given speeches in several places, and I have a letter here which he wrote to the *Montreal Star* setting out Canadian National Railways' point of view in this matter particularly because it was raised by them in an editorial. Mr. Crump is on record as being very critical of this revision and there have been other criticisms. I do not know where we can go on this matter on the basis of the fact that Mr. Gordon cannot give us information about details. It is now a public issue. I would assume from the fact that he has put his position so strongly in the last part of his report that Mr. Gordon wants to raise it before the committee, and I just cannot see where we can go unless we can have a little more detail about the suggestions. Either it must be agreed that we ought to discuss the whole question of the management of Canadian National Railways somewhat in the abstract and its approach to depreciation practices in the past, or—

Mr. GORDON: I would say on that, Mr. Fisher, that the correct situation is that we are now discussing the question of the principle, whether or not an adjustment of the kind I have outlined is advisable. The letters which I have written and the speeches which I have made have been touching on the principle.

Mr. FISHER: You are prepared, and the minister is prepared—because I think the minister has an interest in this—to have as complete a discussion as possible, the only caveat being that you do not wish to go into the actual details of the proposal?

Mr. GORDON: I think that is a fair statement but I do not know just what I am committing myself to in that because, as we discuss it, we may get into other areas. However, as you have mentioned the letter to the *Montreal Star*, I think it would be helpful if I were to read one sentence of that letter which covers the point you make:

In short summary of a complicated question, the depreciation account was far short of providing the capital funds for the replacement of old equipment with a modern type and the addition of new mechanisms in various forms of automation. Our current accounting practices since 1956 make normal provision for replacement, but in the years prior to that the amounts charged to operating account for this purpose have proven to be grossly inadequate. Consequently, what we are trying to have recognized is the shortfall in past provisions for depreciation which have forced Canadian National to add to its interest-bearing debt to finance necessary replacements.

That is it in a nutshell as far as it stands right now. The question of detail and how it will be adjusted in accounting practices will, I suggest, await the time when the specific proposal comes before you, however it is done, in the manner of putting forward legislation to the house.

Mr. HORNER (*Acadia*): In a sense, in the last paragraph you are asking the committee to recommend to the government, in one way or another, that this shortfall which should have been written off or should have been paid before, should be written off now to some extent? You are asking this committee, I gather, in the hope that this government will go ahead with your plans, yet you are not informing the committee how much this will lower the debt charges, or anything else.

Mr. GORDON: No.

Mr. HORNER (*Acadia*): I think we should have more information.

Mr. GORDON: I am not aware that I am asking the committee to recommend anything. In our annual report I am simply stating the point of view of management, and I try to point out why I think this is an advantageous thing for Canadian National Railways and the country generally. I certainly would like you to recommend that.

Mr. HORNER (*Acadia*): Certainly.

Mr. GORDON: I should like you to recommend it but I am not asking you to recommend it because I do not think you should until you get the detail of the proposal.

Mr. HORNER (*Acadia*): That is the very point I am trying to make.

Mr. GORDON: The proposal can only be dealt with by you as a member of parliament. When it is made to you you will be asked for the enacting legislation and then you will get full particulars.

Mr. HORNER (*Acadia*): You are before us now and we can get much more detailed information from you rather than when this is before parliament.

Mr. GORDON: I assume there will be a committee examination.

Mr. HORNER (*Acadia*): You are asking us to approve this report.

Mr. GORDON: No.

Mr. HORNER (*Acadia*): You are making recommendations to the government in this report.

Mr. GORDON: Wait a moment. There has always been misunderstanding about this and I think I might as well try to clear it up now.



This is the annual report of the Canadian National Railways and it is not approved of by anybody but my board of directors and myself. This is our report. You cannot change a word of it even if you wanted to because it is our report.

Mr. FISHER: We can comment upon it.

Mr. GORDON: Certainly you can comment, by all means. That is the reason it is here before you.

Mr. HORNER (*Acadia*): Surely it has been the custom for this committee to approve of the report.

Mr. GORDON: I should be only too glad to have you approve of it, but you said that I am asking you to make a recommendation. I am not asking you to do that. This is our report.

Mr. GRÉGOIRE: Mr. Chairman, on a point of order, when Mr. Gordon says that we cannot amend this report I should like to suggest to him that when the estimates of the Department of Transport are presented to the House of Commons we will at that time be able to amend the report.

Mr. GORDON: You cannot amend the report. I will read what the law says.

Mr. GRÉGOIRE: Perhaps you will allow me to complete my statement.

The CHAIRMAN: Order.

Mr. GRÉGOIRE: Perhaps I can finish my statement, Mr. Chairman. I think when the estimates of the Department of Transport are before the House of Commons any member can move that the amount to be spent by the C.N.R. be reduced to \$1.

Mr. GORDON: Certainly and that would then be our budget.

Mr. GRÉGOIRE: That would be an amendment.

Mr. GORDON: Yes, but it would not change this report.

Mr. GRÉGOIRE: That is the kind of amendment I had in mind.

Mr. GORDON: The law says that the Board of Directors shall make a report annually to parliament setting forth the results of their operations, the amount expended on capital account in respect of National Railways and such other information as appears to them to be of public interest or necessary for the information of parliament with relation to any situation existing at the time of such report, or as may be required from time to time by the governor in council.

What I am saying is that this is the report of the Canadian National Railways and no one can change it. When you get our capital budget before you, in respect of which we are asking for approval of expenditures, then you may change it if you wish but you cannot change this report. That is the point I am making. This is our report and that is the end of it. If I may express it that way.

Mr. ROCK: Mr. Chairman, I think we should have more order. When Mr. Prittie was asking questions I wanted to interject a question on this same subject but I was not allowed to. Now everyone is interjecting and I do not think it is fair.

The CHAIRMAN: Order, please. On my list I have the names of Mr. Horner, who has the floor, then Mr. Balcer, Mr. Rock and Mr. Addison. If you will bear with me all members of this committee will have a chance to ask questions. I want to be fair to everyone and I should like to have the same co-operation that I usually have, and I will thank you very much for giving me that co-operation and refraining from raising so many slight points of order.

Mr. Horner have you concluded your questions?

Mr. HORNER (*Acadia*): I have concluded for the time being.

Mr. BALCER: In view of what Mr. Gordon has said in his last few remarks I am not sure whether he is in a position to answer my question. I understand that we are here to discuss the principles of his refinancing proposal but that we should not ask the witness to disclose specific amounts or indicate specific things of that nature because the proposal is now being discussed by the government. I wonder whether Mr. Gordon can tell us that if he succeeds in getting the government to move toward this refinancing proposal the amount involved will be sufficient to ensure that the C.N.R. will be in a fair position and will be able to cover the type of deficits that have been shown in the last few years? Does this amount consist of \$40 million, \$10 million or \$5 million? Can you give us some indication without being specific?

Mr. GORDON: I will go this far and say that the whole basis of our proposal is that we be granted sufficient relief based on our being able to show from our books the amount that we say was the short fall in depreciation. We have to establish the amount on something and I say our proposal is based on that figure, and being based on that figure we hope to be able to persuade the government that the amount of relief will be sufficient to ensure that the Canadian National Railways will eliminate its deficit.

I am pleased you raised that question because there is another point involved. I do not want to leave the impression, and I realize that perhaps I may have, that our recapitalization proposal before government is based solely on this one item. There are other factors arising out of previous legislation involved and you may recall that the 1952 legislation was put through with the clear understanding that there would be a review in ten years. There are several factors in that legislation, which expired in 1962 and which has been renewed year after year, which also will be presented. The basic point I mention is this. The amount of relief the government will provide if and when it accepts our proposal will allow us to show a surplus in the future.

Mr. BALCER: That being the case I wonder whether you can give us a figure in respect of this short fall in the depreciation operation? Have you that figure?

Mr. GORDON: That is the basic figure which effects the whole proposal.

Mr. BALCER: I am sure you know what that figure is, and I am sure that the government knows the figure as well.

Mr. GORDON: Let me answer you in this way.

Mr. BALCER: Perhaps I should direct my question to the minister.

Mr. GORDON: I do not think the minister can answer your question and I will tell you why.

An hon. MEMBER: You underestimate him.

Mr. GORDON: What I mean is this we are still involved in very deep, detailed, complex and technical discussions in respect of how to establish the figure. Those discussions are taking place between the accounting officers of the finance department, the transport department and the Canadian National Railways. I think I have proved the figure but I cannot say that the highest level has proved what the figure will be. There is still a number of technicalities involved but I hope to have it settled very, very soon. There have been intensive discussions going on.

I do not think I am going too far in saying that there is a range in respect of the figures. There are two or three ways in which the formula can be looked at. This is an accounting formula having to do with the manner of depreciation in respect of all the different types of property. After all, we are not only considering locomotives but other kinds of property in our inventory as well which runs into thousands of items. It has been a tremendous job to arrive at



these methods, and a tremendous job of analysis. Again there are technical discussions in respect of whether or not this is the right way of looking at it or that is the right way of looking at it. We will have to arrive at an agreement in respect of the formula but at the moment there is still a range of figures being considered.

Mr. BALCER: Has the government accepted the principle of your proposal?

Mr. GORDON: I understand they have and perhaps the minister will be kind enough to confirm that.

Mr. PICKERSGILL: If I may be permitted to say so, it seems to me that the Prime Minister's statement in the House of Commons that this bill would be one of those we will attempt to introduce during the course of the present session is the clearest evidence that the government does accept the principle that the depreciation practice of the two railways should be the same and if it is not the same thing you cannot compare their results. I can confirm what Mr. Gordon says, that when you are going back into the past some considerable distance in some cases the accounting problem is a huge problem. There is not yet agreement even among the experts who are advising us and advising the railway. I know they are working very hard in this regard but ultimately it is up to the deputy minister of finance and the Minister of Finance and I do not need to tell any of the members of this committee that the deputy minister and the minister have been involved with quite a number of other very complicated financial problems besides the problems of the Canadian National Railways, but they are trying to ration their time and consider these problems whenever they can. If they had no other problems to solve, I think this problem would be solved in a very short time. I am hoping that it is going to be solved soon.

Mr. GORDON: I think I should remind you also in respect of the approval of the government, that the government in 1962 also said there would be a capital revision of the C.N.R., so I have the approval, I hope, of two governments.

Mr. PICKERSGILL: I am hopeful that Mr. Balcer will support the bill.

Mr. KINDT: I should like to ask a supplementary question.

Mr. ROCK: I have the floor.

Mr. KINDT: My question deals with the same subject.

Mr. ROCK: The supplementary question I wished to ask dealt indirectly with the subject being discussed by Mr. Prittie.

Mr. Gordon, in 1939 the Canadian National Railways had only \$53 millions interest on debt, and in 1963 it was \$64 million. In the past you seemed to have blamed some of the financial ills of the C.N.R. on the fact that you took over old bankrupt railways incurring their debts and interest rates. You have suggested that for those reasons you had the financial ills of today. I should like to know the amount of interest involved at the time the C.N.R. took over these bankrupt railways in Canada so that I can make a comparison. Was the amount of interest \$10 million per year, \$20 million per year, or \$30 million per year at that time?

Mr. GORDON: In the 1952 capital revision which attempted to deal in part with what you have outlined, the amount of interest relief at that time was, approximately, \$23 million or \$24 million, if my memory serves me correctly.

Mr. ROCK: You did receive some relief from the federal government?

Mr. GORDON: In 1952 the adjustment was made in our accounts transferring the interest bearing debt into preferred stock. That recognized the old outstanding debt to which you have referred, but this did not touch the depreciation question.



Mr. ROCK: I quite understand that, but who is now paying the interest that is still owing on that capital of the past? Is it still being paid by the C.N.R. directly, or the government?

Mr. GORDON: No, but it would find its way into the government accounts.

Mr. KINDT: I should like to ask one further question in respect of this approach to the capital structure of the Canadian National Railways. Do you feel there will have to be some write-off, and, if there is to be a write-off is that going to be shifted to the public debt? In a sense it is there now, of course.

Mr. GORDON: Again, some of the terms become very confusing. In the normal sense in the financial world if you talk about a write-off of debt it is construed to mean that the debt is cancelled.

Mr. KINDT: Right.

Mr. GORDON: That is not what is proposed. There will be no write-off in that sense. No one is going to lose any money in the sense that the Canadian National Railways bonds will change value. They are going to be as good as they ever were. What will happen is that the bonds held in the hands of the public will remain in the hands of the public until they mature, at which time they will be paid off. We are seeking a rearrangement of our own capital structure on such a basis that it relates to any other investment in the system.

Mr. Pickersgill, I am afraid that I am being drawn more and more, as you will see, perhaps, into the detail, but as Mr. Fisher has said, I have gone a long way already. The effect of the change will be that when these proposals are agreed to, the responsibility for the interest payments on the outstanding debt as it is matched up against the depreciation short-fall will be assumed by the government.

Mr. KINDT: You are not only referring to interest, but also to principal?

Mr. GORDON: I am referring to principal as it matures, yes.

Mr. KINDT: Yes.

Mr. GORDON: Then it will be transferred from our debt into our equity stock position.

Mr. FISHER: Mr. Gordon, you took over the C.N.R. in what year?

Mr. GORDON: No, I cannot subscribe to that statement. The C.N.R. took me over in 1950!

Mr. FISHER: You were the president of the Canadian National Railways during the years including the time of the last capital revision?

Mr. GORDON: Yes, I started on January 1, 1950.

Mr. FISHER: I should like to place a criticism on the record, Mr. Chairman, of the proposal that is put forward here, and then I should like to hear Mr. Gordon's comments. In fact, I should like to put two criticisms on the record.

The first is a criticism made by J. L. McDougall which appeared in the *Toronto Globe and Mail* of April 9, 1964. I am going to read the central portion of it. That statement reads as follows:

The facts are that C.N.R. has already had two capital reorganizations, one in 1937 and one in 1952. The first cancelled what were in essence paper claims, but the second was substantial. It exchanged \$736 million of interest-bearing debt of Canadian National for 4 per cent preferred stock. There was no suggestion that these securities did not represent tangible assets; but the securities had been acquired for government account during the war and they were quietly neutralized in this fashion. Secondly, \$100 million of advances to the railway was converted into a 20-year debenture on which no interest was to be payable for the first 10 years. Thirdly, an agreement was made under which the government

would purchase additional preferred stock to the extent of 3 per cent of gross revenues up to 1960. In other words, government hasn't saddled the C.N.R. with debt charges, it has already relieved it of a major share of all debt accumulated up to 1952.

This drastic reduction in C.N.R.'s obligations was supposed to give the management a chance to prove itself as an economic organization; and it is fair to suggest that it originated with that management. The sequel is that this management then stepped out with an enormous program of capital investment despite the unattractive prospects for further investment in the railway property, not in Canada alone, but everywhere throughout the world.

In the 11 years 1952-62 inclusive, the net increases were: In shareholders' capital, \$255 million; in funded debt held by the public, \$1,018 million; in government loans held as active assets, \$88 million; total \$1,361 million.

What is there to show for this enormous outpouring of capital? In the four years 1948-51 inclusive the railway averaged a bit under \$24 million of income available for fixed charges. (The annual figures being 12.5; 6.2; 44.1 and 31.7 million respectively). In the four years 1960-63, when one should expect that this capital would have begun to bear fruit the average amount available for fixed charges was \$10.5 million (the annual figures being 1.5; 5.5; 23.3 and 11.8 million respectively).

And now the people who have applied the public resources so unproductively are shamelessly arguing that all past debts should now be wiped out in order that they may repeat the process!

I do not agree with that statement, but I think it is important that it be placed on the record if we are going to have an intelligent discussion in this regard.

Mr. GORDON: Mr. Fisher, would you care to read the last paragraph which is even more critical? I should like to bring out the points he mentions there.

Mr. FISHER: Yes. It states:

The long-run interest of the country demands that Canadian National be sold and so compelled to stand on its own feet. The present executive corps recommended this arrangement. They were supposed to lay out the money so that it would be productive. If they have failed, let them live with that failure and try to retrieve as much as they can. And even if they are going to be let off, let them come forward manfully and tell us why their plans failed and why they should be trusted to make meaningful estimates in the future.

I should like to put one further brief remark credited to the president of the Canadian Pacific Railway on the record. This quotation is from the *Toronto Globe and Mail* of May 7, 1964, and states:

Over-indulgence toward the Canadian National Railways could threaten private enterprise in the transportation field, N. R. Crump, president of the Canadian Pacific Railway Co., said at the company's annual meeting yesterday.

Mr. Crump said the C.N.R. has made new proposals in the past two years for further writeoffs of debt, and that the C.P.R. is concerned about these, both as a competitor and as a taxpayer. He said that the C.P.R., as a taxpayer, contributes to public funds from which the crown owned C.N.R. finances its capital expenditures on plant and equipment and from which it draws to meet annual deficits.

These two statements give us a type of criticism in addition to the letter that I believe you sent to the *Montreal Star* as a result of an editorial which appeared in the *Montreal Star* on February 15, 1954. Your letter to the *Montreal Star* appeared in the *Star* on March 17, 1964.

Mr. GORDON: Actually my letter appeared in the *Montreal Star* on February 17, 1964.

Mr. FISHER: What I am trying to suggest, Mr. Chairman, is that over the last four or five years I have made a point in this committee to bring attention to the fact that year after year the approach of the Canadian National Railways has been that we are really not in a sound position to criticize the effectiveness of the management of the C.N.R. and that we must look at it over a long term. Mr. Gordon has had 14 years experience with the Canadian National Railways and he is now rapidly approaching his second capital revision of a substantial kind. He is now coming up to his second capital revision of a substantial kind and he is hinging it all upon a mistake; if not a mistake, a wrong depreciation practice which became apparent, at least in terms of any rectification, in 1956, six years after he took over, and we have the situation where a similarly large competitor in the field was also out in the public domain arguing against the points put forward by him. In view of this I feel he should present us at this time with a clear answer to the criticisms made by Mr. Crump in this matter. In view of the line of approach of Professor McDougall, who has been a long term proponent of the C.P.R., I am sure these are the C.P.R.'s views he has in his letter and I think we should have a clear answer for the record to these criticisms and allegations, which we have not received to date in the questioning.

Mr. GORDON: Yes, but that is a large assignment.

As you point out, Professor McDougall's letter is a letter written by a man whom you have to think of as a witness when he makes a reply or any statement; Professor McDougall has been closely associated with the Canadian Pacific Railway throughout his life and has appeared for them as a witness in many proceedings before the board of transport and otherwise.

I cannot take his letter in detail because it would take me all day. I think it is better if I turned away from the letter to Mr. Crump's statement which basically and essentially has the same kind of approach.

Mr. FISHER: Yes.

Mr. GORDON: I think to do that I might as well put on the record what Mr. Crump said.

First of all, Mr. Crump made a statement in an address to the shareholders of the Canadian Pacific Railway Company on May 6, 1964, and again he is making references to Canadian National Railways proposals for recapitalization on what he assumes they are because he does not know the actual details of the proposals. However, he made these statements, among others, and I want to quote them:

Within the past two years new proposals have been advanced by the Canadian National Railways for a further write-off of that company's debt. Your company is concerned in this matter both as taxpayer and as competitor.

As I said before, the C.P.R. obviously has no clear concept of what the proposals are because they have not seen them. The proposals made to the government, as I said, are still on a confidential basis. He talks about a further write-off of the company's debt. There is no further write-off of it. I have said that most of our debt is in the form of bonds that are held by the public and it will remain there until it matures in the normal course and is paid off. We are



seeking a re-arrangement of our capital structure so far as it relates to the government's investment in the Canadian national system. This has been done in order to obtain some relief from the crushing burden of debt charges which make the annual profit and loss account such an inaccurate reflection of management and employee efficiency.

He went on to say:

As taxpayer, your company contributes to public funds from which the national railway finances its capital expenditures on plant and equipment and from which it draws to meet annual deficits.

The Canadian National pays all the same taxes as the Canadian Pacific and, in particular, is liable for income taxes at the same rates as Canadian Pacific. This was decided back in 1952 when the exemption of certain crown companies from income taxes was withdrawn. The unfortunate fact, as I mentioned, is that the Canadian National has not earned a taxable income since becoming subject to income tax in 1952 and this is largely due to the excessive interest charges it has had to bear relative to its need for large new investments since that time. As a taxpayer, the Canadian Pacific is no different from any other large Canadian corporation including the Canadian National.

Then, he says:

As competitor, your company, like every other private transport operation in Canada, must try with its own resources to match the facilities of the government owned system paid for out of public funds.

So far as rates are concerned, no competitive rates have been set by Canadian National that have not been the result of a joint conference. It should be recognized that in the past the general rate levels, authorized by the board of transport commissioners, were set with the Canadian Pacific as a yardstick railway and that these rates reflected the cost of money to the Canadian Pacific without regard to Canadian National's financing costs.

With regard to facing competition from "the facilities of the government owned system paid for out of public funds" there should be no fear on this score. If Canadian National is recapitalized it will have access to the same sources of funds as Canadian Pacific, and that is what we want. We want to get it on the basis that Canadian National will finance itself out of internally generated funds from depreciation provisions and equity capital. We cannot get it on present day basis until we wipe out the effects of the basis. But, Canadian National will be on the same footing as Canadian Pacific except that Canadian National's capital expenditure program still will have to pass government scrutiny. And, this is a scrutiny which is far more detailed and difficult than that applied by Canadian Pacific shareholders. No Canadian Pacific shareholder gets up and asks management to justify themselves as much as I have to here. Now, I do not object to it but it is a fact of life. The proposed capital expenditures of the Canadian National receive the most careful scrutiny by our own board of directors before being recommended for inclusion in the capital budget that is presented to the government for approval. We have to sell it to the government before we can get an order in council, and any expenditure which is optional to the management in that it is a new method of doing business or an expenditure which is not required to continue the existing structure is not approved unless the requirements of a good rate of return on investment are met. In addition, any expenditures which are required to keep the plant in operation, such as new bridges, culverts, and so on are approved only after exhaustive studies of the existing physical condition of the facility, of new technological developments, and of various alternatives available.

Now, the capital expenditures of Canadian National have covered the whole rehabilitation and modernization programs following world war II. They have permitted the Canadian National to compete successfully for new

traffic and to regain a great deal of traffic which had been lost. They kept the revenues up and the costs down and on no occasion has there been in my recollection any serious objection to any capital expenditures incorporated in our annual budget. I say that only to indicate that management of Canadian National only puts forward those items which they can justify and obtain approval of after very careful examination. So, regarding Canadian Pacific's ability to match Canadian National's facilities, Canadian National's test of the worth of the new facilities is at least as complete as Canadian Pacific's and it is Canadian National's plan that the financing of these facilities will be on as equivalent a basis as is feasible with that of Canadian Pacific. Then, this statement was made:

No private business can survive in competition with crown corporations which are indulged, not only with immunity from the consequences of deficiencies in their operations, but with cost-free capital.

If Canadian National has indulged in anything it has been kept a great secret from me.

Mr. FISHER: Then why would Mr. Crump make the statement?

Mr. GORDON: I do not know. I have not talked to him about it. However, I might say, and perhaps I will get myself into trouble, which I do at least once every time I appear before this committee, that I am perfectly certain Mr. Crump did not write the statement.

Mr. PICKERSGILL: You are becoming a parliamentarian.

Mr. GORDON: Perhaps I had better let that pass.

There is no suggestion in our capital revision proposals that Canadian National be placed in a position where it can obtain cost-free capital. The objective is to establish a capital structure that will correct some of the deficiencies arising out of practices that were followed in the past.

I took note of your statement in which you indicated if not a mistake, a wrong depreciation practice was followed. It is not fair to say that about past management. What I am saying is the fact that these depreciating practices that were then in force were so recognized and were argued on the basis a crown company did not need to set up depreciation because they could get the money. My belief is that that sort of thing should be corrected and to have a proper comparison with Canadian Pacific we should get our accounting on the basis where there can be a correct comparison made. We never will get a proper comparison so long as we follow different types of depreciation practice. You referred to the fact that this happened after the start of my term in office. I would ask you to remember that the uniform classification of accounts was not adopted officially through the Board of Transport Commissioners until 1956, and there were some years of discussion before that. It was only after the adoption of the uniform classification of accounts that the actual results became so apparent as to what our depreciation practices had been.

Our objective is to correct some of the defects arising out of the past because funds for capital expenditures in respect of all private enterprise companies—normally are provided for internally generated sources and from outside borrowings. The chief source of internal funds is the annual amount of depreciation that is set aside out of profits and unless depreciating accounting practices are followed the company has no alternative but to borrow the money at interest from outside sources. This is the situation that Canadian National found itself in when large capital expenditures were made to meet the post war competition from automobiles, pipe lines, ships, trucks, airplanes and so on. We only commenced providing for depreciation in a broad way in 1956, and



our accounts have been in accordance with the mandatory provision by the Board of Transport Commissioners with the issuance of the uniform classification of accounts for railways. In our capital revision proposals we are trying to obtain recognition of the short-fall in past provisions for depreciation which have forced Canadian National to add to its interest bearing debt to finance the necessary replacements of assets.

Canadian Pacific did not have this same problem—and I want to be careful what I say about the C.P.R.; I am not bearing testimony for them. Perhaps I will say that I understand the C.P.R. did not have the same problem because over the years it has been building up its depreciation reserves out of earnings and the charging of this type of expense has had an important advantageous effect on the income tax payments by that company. In addition, it provided the company with a large part of the capital, free from interest, which it needed to finance its capital expenditure programs.

The statement refers to the Canadian National's "immunity from the consequences of deficiencies in their operations" and claims that no private business can survive in competition with crown companies who possess that quality. If Canadian National is placed in a position where small regular annual profits are capable of accomplishment, it will not be immune from the consequences of deficiencies in its operations. It will be operating in a commercial climate with a normal financial structure and it is fully expected there will no longer be any need for payments to be made by the government to cover Canadian National deficits.

This is the point I particularly want to stress. The only real urge for Canadian National management to keep its competition within the range of sound management is pride in its accomplishment. If the Canadian National is doomed to perpetual deficits, this pride will disappear and slackness is sure to follow. So long as Canadian National tries to retain good business principles in struggling to show a return on its efforts and resisting attempts to foist unprofitable or unnecessary operations on it, then it will continue to be a fair competitor, although a tough one as it should be. But, let its efforts be fruitless in respect of generating a pride in the management and the organization generally, then fairness in competition will go out of the window and expediency may well be the substitute for it. This, I suggest to you, will be bad news not only for transportation competition but for the country as a whole. For example, why would Canadian National take the lead in research work, as it has, in promulgation of new ideas and innovations, as it has and, particularly, why should it not let labour have its way? What is the incentive in trying to take a position where we pay the going rate in respect of our wage negotiations; if we are doomed to deficits anyway, it does not matter. I repeat that the only hope in the future of the Canadian National is to put it in a position where it has no longer an alibi about the past. Let us wipe the books clear of the past so that we cannot fall back on it. Then, when we get it into a proper position, having accomplished that, then I will say to this committee: If the Canadian National does not show a profit, call it to account, and the management, because if it does not show a profit under those circumstances there is something wrong either in regard to the rates that they are getting for their service, the kind of service they are giving, or the costs they are absorbing. Then and only then will you have a proper opportunity to ask the question of management, why. But, you cannot do it so long as this past is there.

Mr. FISHER: I had the pleasure of reading the proceedings in your appearances before this committee since 1950-51, and I cannot remember through 1954, 1955, 1956, 1957, or 1958 that this question of depreciation really came up. As I recall it, when you were present when the annual report for 1956 came up you were tremendously optimistic. You mentioned that we should clear the past and then if you do not produce we can comment upon the management.



But, I suggest we have a past record to look at, and for years you did not reveal or show to the committees of this house that you were concerned about this depreciation matter. This only has been related in the last couple of years. I would like you to look at the point that Professor McDougall raised. He says in the four years, 1960-63, when one should expect that this capital would have begun to bear fruit, the average amount available for fixed charges was \$10.5 million. Now, in so far as this amount available for fixed charges is concerned, this really has nothing to do with the debt; this is all that has been available. In the light of all the tremendous expenditures, the improvements in the railway's capacity to do work and to increase its productivity, all you have had on an average between 1960 and 1963, namely four years, is \$10.5 million in fixed charges. Now, in truth, that is not a very optimistic picture to put before us.

Mr. GORDON: No, I agree; but the trouble with generalizing always is that it is a generalization. You have to take each year specifically. You must remember that since recapitalization that Mr. McDougall refers to, there have been some major changes in the railway industry. Take for instance the imposition of the 40 hour week for standard labour, and the tremendous additional cost which had to be absorbed, and which could only be absorbed gradually. Moreover, we ran into a completely different technological position in regard to competition and so on. We have to adjust ourselves to that new environment. And there are other items, but I have taken the two largest ones.

We ran into increased costs arising out of the new re-orientation having regard to the 40-hour week, and in other things. I am not arguing against this. I say that we had to meet them and face them, and that they had to be absorbed. Secondly, in regard to the effects of competition, if we are going to survive in a competitive environment, we have to get into the business of automation, and we have to produce all sorts of things, ideas, and methods by which to operate the railway. That will take a little time, but it usually shows results.

In the course of doing this, we have to consider the extent by which we have to rehabilitate the railway in terms of its machinery, if you wish to call it that, or methods of operation; and along about that time there came the uniform classification of accounts. It started under discussion in 1954, and it took two years before they got through. They came in, in 1956. These things had to be adjusted. It was a new area, and it was a new looking environment when we began to realize the situation in regard to our depreciation costs.

I quite agree that the depreciation argument was not thought about at all in 1951 or 1952. If we had been able to keep things relative to the way they were in 1951, if we still had the same labour outlook without the 40-hour week and other things, and if we still had the same relative outlook in regard to competition and things like that, and these new forms had not come into being it may well be that we would not need these new readjustments. But because we had to adjust ourselves to a new environment, we had to have depreciation to take care of the new costs.

Mr. FISHER: You have been building your case on the poor kind of depreciation. Now you have introduced all these other factors.

Mr. GORDON: Yes. This will appear in our argument when we justify our application for recapitalization. That is why I say it is not confined solely to the past, but to other factors as well.

Mr. FISHER: Let me put my comment this way. The Canadian Pacific is your major competitor, and having regard to their attitude or point of view with regard to your recent recapitalization, it would also have had to contend with the very same factors that you had to contend with.

Mr. GORDON: Well, yes and no. As I pointed out to Mr. Grégoire, the amount of depreciation that the Canadian Pacific accumulated throughout the years is very much more than what we had accumulated. Therefore, they had those resources with which to buy their equipment. But as far as the fears expressed by the Canadian Pacific are concerned, their fears have been in regard to anything which would mean that the Canadian National Railways would be able to demonstrate their efficiency and competence in regard to the current years. Those fears are traditional. It has become almost a party line in regard to the Canadian Pacific to express fears of that kind.

I can give you proof of that by reading to you a short sentence which comes from the report of the Royal Commission on Transportation of 1951, which had this to say on the capital revision proposals being mentioned. At page 193 of their report they say:

The objections of the Canadian Pacific Railway Company are based on the fear that the Canadian National recapitalization proposals constitute a threat to the continued existence of the Canadian Pacific as a private corporation. The Canadian Pacific fears that Canadian National earnings on the basis of the proposed capital structure would give rise to demands for lower freight rates regardless of the value of railway property or the earnings required to service the investment therein.

I would ask you to cast your mind back over the last twelve to fourteen years to see if any of those fears have been justified. None of those fears of 1951 has been realized. The sale value of Canadian Pacific stock has improved considerably. Their earnings have steadily shown advancement. None of these things in regard to the statement about lowering freight rates, and the value of property has come to pass. This fear is traditional. It will always be expressed, and it is the same fear that they expressed in 1951.

Mr. FISHER: It might be worth while if we should have the views of the Canadian Pacific management upon the evidence that Mr. Gordon has given, particularly this section at the back of his report. I think Mr. Gordon has given the rebuttal from the Canadian National Railways' point of view in regard to what Mr. Crump and Mr. McDougall have put into the public domain. But I think it would be worth while to hear from the Canadian Pacific management in this committee before we make any comments, and put forward a report to the house. That is why I would like to ask you, Mr. Chairman, if you would consider inviting them to appear. I know we cannot demand it, but I think we can invite Canadian Pacific Railway representatives to appear before the committee to express their views in this particular regard.

The CHAIRMAN: I am sure there is one thing that is evident, namely, that the Canadian Pacific has not put the case before the committee that you have, and that you have been a so-called spokesman on their behalf. But in any event, I think this is a matter that should be referred to the steering committee, and I would be glad to call the steering committee, if that is your wish, and have its members take it into consideration.

Mr. GORDON: May I make one comment? I may be out of order in doing so, but may I suggest that when you consider calling Canadian Pacific representatives before the committee, you should await publication of our proposals, because they will not be able to comment upon our proposals until they are made. I have no objection to your calling these people, but I suggest that in order to be effective, the Canadian Pacific could hardly answer something which they do not really know about.

The CHAIRMAN: The steering committee will discuss it.

Mr. FISHER: They have not been timid so far.



Mr. ADDISON: First of all, may I ask if the depreciation taken last year as shown at the bottom of page 24 is this amount of \$62 million odd?

Mr. GORDON: No; it is \$99 million. You will see the total figure given on page 26, where it is shown as \$99,049,081, under the heading of "Source and Application of Funds for the Year 1963".

Mr. ADDISON: Since this is the first year in seven that the Canadian National Railways have shown a profit in actual railway operations between revenues and expenses, you forecast additional profit when some of this debt load can be retired. What would you consider to be a fair return as a sales figure in railway operation?

Mr. GORDON: I would not want to express a view on that. I do not think that the Canadian National Railways should ever be in a position to have to attest to a return in reference to a sales figure. My view on that is that the Canadian National Railways should operate its affairs, and show a small profit—not a large one, but a small one. We should just get by, standing on our own feet, and perhaps show a small profit. This is not relevant in regard to a percentage in regard to sales.

Mr. ADDISON: You referred to the transportation industry as providing a service to the Canadian people.

Mr. GORDON: That is right.

Mr. ADDISON: Do you consider that the subsidy which is now paid to the Canadian National Railways is adequate?

Mr. GORDON: Well, there is no subsidy paid to the Canadian National Railways.

Mr. ADDISON: Well, what about the \$71 million?

Mr. GORDON: I know, but that is paid to the users of our services, because our rates are frozen. It is a public service. I was careful to say in my statement, on page 3:

Revenues from freight services included \$10.1 million related to the freight rates reduction subsidy which reduces for shippers, on certain classes of traffic, the full effect of the last freight rate increase authorized by the board of transport commissioners in 1958.

So you see it is the shipper who gets the advantage of the subsidy.

Mr. ADDISON: The only amount of money that the Canadian National Railways receive from the government is an amount to make up the deficit for the year.

Mr. GORDON: That is right.

Mr. KINDT: May I just refer to one short question on this matter of shifting the capital structure, or part of the debt load of the Canadian National Railways on to the broad back of the big family mule. However, that is only done partially. This at least places the management of the Canadian National Railways in the position to reflect accurately the efficiency in their management, as you so desire; in other words, what you are saying is that it can do either a 100 per cent job, or if it is only a partial job, you are still being affected by the size of the debt structure, so that you are slipping behind when it comes to efficiency.

Mr. GORDON: I am afraid I have not made myself clear if you receive that impression. What I was trying to say is that we want to receive the amount by which we feel our depreciation account was short in regard to past years. That is what I regard as unrequited depreciation. This is a term with which you will become more familiar when you finally get our proposals. This unrequited



depreciation is the amount at which—if normal provision for depreciation had been used in the past—our depreciation in reserve would now stand. And to the extent that we are able to establish that figure, then that figure will offset the amount of our debt, whatever it might be.

Mr. ADDISON: That is what would happen?

Mr. GORDON: That is what I expect, but it would still leave some debt for the Canadian National Railways. We are not seeking a total write-off of the outstanding debts of the Canadian National Railways. The amount for which the government will take the responsibility will be the amount of the regulated depreciation, which would have decreased our past deficits, had it been paid in the past, if a normal depreciation program had been followed.

Mr. Vaughan reminds me that this rearrangement will mean no extra burden on the taxpayer. The taxpayer would be in exactly the same position, or even a little better off, to the extent that the government automatically takes over the debt; and when it becomes a debt of the Canadian government, we will then get a better market basis than we have for the sale of Canadian National bonds. But it will not mean an additional burden on the taxpayer under our proposals.

Mr. REGAN: I have one or two questions arising out of the Barry Goldwater type of statement of Mr. Crump. Would you not agree that most of the profit that the Canadian Pacific Railway earns comes from ways and from fields in which you are not a competitor in the Canadian National Railways?

Mr. GORDON: A good deal of it does, yes. The Canadian Pacific has investment companies from which they derive benefits which are not open to us. May I say this with respect to your question. I realize the particular reference you have made to a certain gentleman in the United States, but I would not want the impression to be gained that we have a fight on, or anything of that kind, with the Canadian Pacific. That is not the case. I do not deplore the views expressed by the Canadian Pacific. They are perfectly well entitled to express their points of view. But I do not want you to think there is a great big fight looming up, because there is not. Our relations are perfectly friendly. This is a free country. They have their views, and they may express them.

Mr. REGAN: With respect to your comments arising out of this statement of Mr. Crump before me, you will agree that the basic and primary purpose of the Canadian National is not to make a profit; and you will agree that in a country of this type, surely its purpose is to provide a certain service, and that the service, because of the nature and the geography of this country, and its tariff structure, is such that a railway operation which is government owned cannot expect to provide the service that is needed, and, at the same time, make a huge profit.

Mr. GORDON: No, I cannot go along with you. But I do want to say that the Canadian National accepts its full responsibility to provide the services which are required, but it wishes to do so on a commercial basis but not without the end result indicated of making a small profit. I agree with you, but I do not think that in our Canadian National Railways outlook we should ever burden the taxpayers. For example, we should never quote a rate to do a piece of business which is below cost. The end result of our operations should be that we provide a service to the public in one way, namely, that it should give them adequate, efficient service at a cost which would make this country competitive in foreign markets.

Mr. REGAN: If you always require compensation for any service that you undertake, you will agree that it would be necessary that some form of subsidy still be applicable to your organization from the government?

Mr. GORDON: No, I do not. This would be purely a matter of government policy. The government might decide that there was an area in Canada under the Maritime Freight Rates Act, which is an excellent example, and if they feel, for certain reasons which apply, in their judgment on a political or business basis, there should be recognition of a depressed area or anything of that sort, where the railways should give better rates, then that is entirely up to the government of the day. You see, it is the public purse which makes up the difference. It should not be the railways that subsidize. If there is going to be any subsidy recognizing any special situation in any part of this country the subsidy should be given only in the form of a payment to that particular area by the government. If they wish to do it through the railways as a matter of convenience, then it becomes only a matter of administration. But our costs should always be kept in mind and we should never be quoting rates which are below our cost. That is the whole principle of the MacPherson Royal Commission report, that we have rates which are cost oriented.

Mr. REGAN: But you will grant that if we are going to have any tariff structure, as such, there are areas which are geographically different and this is the reason that there is a sort of subsidy through the government?

Mr. GORDON: That is purely a matter of political judgment. It is not a judgment for the railways to make. It is purely a political one.

Mr. RHÉAUME: Mr. Chairman, are we going to adjourn for lunch?

The CHAIRMAN: That is up to the committee. I am not going to move that we adjourn.

Mr. FISHER: I have one last question.

Mr. RHÉAUME: I shall proceed at this time, but I thought we were going to adjourn for lunch.

The CHAIRMAN: Is there a motion to adjourn? Yes, and it is agreed.

Mr. GORDON: May I have the pleasure of renewing my invitation to the members of the committee to come and partake of a great Canadian National lunch. If you will come to the Union Station you will find a car available. Will you accompany me?

The CHAIRMAN: Let me suggest that in view of the fact the decision of the committee is to meet after the orders of the day, that we make it 4 o'clock?

Agreed.

The committee adjourned.

## AFTERNOON SITTING

TUESDAY, June 16, 1964.

(Text)

The CHAIRMAN: Gentlemen, we have a quorum. Mr. Kindt.

Mr. KINDT: Before we get to the real meat of the committee I would like to ask Mr. Gordon a question concerning the Canadian National Railways right of way south of Calgary. That rail line was surveyed some 50 to 60 years ago. No rails were ever laid, and it has been abandoned for over 50 years.

Mr. PRITTE: Mr. Chairman, on a point of order, we are still on the subject of financing. We are supposed to be dealing with the report section by section.

The CHAIRMAN: Yes, I thought Mr. Kindt's question would be on the financial review. We decided this morning that the committee should proceed section by section, and we are now on the item "financial review."

Mr. KINDT: Yes, but I thought that in good graciousness I might ask this question before the full meeting of the committee began so that we could get it on the record. I intend to ask it at some time.

Mr. PRITTIE: I have a dozen.

The CHAIRMAN: Is it the wish of the committee that Mr. Kindt ask one question, provided it is not a precedent?

(Translation)

Mr. BEAULÉ: You are creating a precedent. Committee members are going to do likewise. We must follow the committee rules.

(Text)

The CHAIRMAN: I am sorry, Mr. Kindt. Unless you get some consent from your co-members, I am in the hands of the committee. They do not seem to be very lenient. I do not care, personally.

Mr. KINDT: They may want some consideration given to them later on. This type of action on the part of a few may be all right at times, but I do not think it indicates good sportsmanship.

The CHAIRMAN: Is it a short question?

Mr. KINDT: Of course it is a short question.

The CHAIRMAN: All right then, go ahead.

Mr. KINDT: On behalf of the town of High River, I wrote a letter to Mr. Gordon and he in turn on behalf of the Canadian National Railways gave it back to the town of High River. There was a negotiation about an old right of way which went through the town of High River. The town is grateful to him. It showed excellent public relations. The farmers all along that right of way for over 100 miles feel that if they were in a position to buy back that land, it would constitute a form of relief to the Canadian National Railways by alleviating their taxes, because the Canadian National Railways have to pay taxes and they do so and it costs the public a lot. But if only this land could be sold back to the farmers, there would be money saved for the Canadian National Railways. I would like Mr. Gordon to state what the policy of the company is with respect to that right of way, so that it might be transmitted to the people of that area.

Mr. GORDON: Well, Mr. Chairman, I think it is a very simple question. If there is any land at any point which is surplus to railway requirements we are always interested to hear from anyone who is interested to purchase it. I am not familiar with the particular section of right of way. But tell your interested purchasers to get in touch with Mr. Roger Graham, vice-president of the Canadian National Railways at Edmonton. That is in his region, and he will let the farmers know whether or not it is possible to make the arrangements you mentioned.

Mr. KINDT: Very well. Thank you.

The CHAIRMAN: Let us get back on the track and discuss the financial review. Mr. Rhéaume had the floor when we adjourned.

Mr. RHÉAUME: I would like to ask a few questions in relation to this business of the new method of accounting and financing. I believe Mr. Gordon made the statement that there are interest charges which the Canadian National Railways had to pay, and that there was a debt incurred as a result of poor depreciation procedure, which could be attributed as a major factor to the Canadian National Railways deficit position. Is that right?

Mr. GORDON: Yes, but I would like you to withdraw the words "poor depreciation practice"; that is not the real statement.

Mr. RHÉAUME: Well, let us say unfortunate?



Mr. GORDON: No. It was under a different regime. A different method was in force in those years which did not take into account the need for normal depreciation. We have now looked at it since that time, when the Board of Transport Commissioners devised their uniform system of accounting. I would like to make this statement: the most graphic illustration of it is in the accounts for 1963. If you look at page 26 I think it is, you will find our provision for depreciation in 1963 totalled \$99,049,081, and that it is a direct charge to our operating expenses. We have to absorb it in our operating expenses. If you compare that sum with a similar charge—let us take the year 1951, before this uniform classification of accounting procedure went in—and you take the depreciation practice in 1951, it is quite a different system. The charge to operating expenses in that year would have been something in the order of from \$25 to \$30 million odd. That is the most graphic comparison I can make as to what this new method has done in regard to current practice. That means that since 1956 we are charging into Canadian National Railways accounts the full amount of depreciation, and we figure that this will take care of renewal of capital assets which come in year by year, and take care of them when worn out, when they would have to be replaced.

We are now making full provision for it, so that future managements of the Canadian National Railways will not be faced with the problem with which we have been faced. What I am trying to do by the proposals for recapitalization is to remove the shadow of the past and to take out of consideration altogether the inadequacy of the depreciation reserve of the past. Once we get that out of the way, then you, or anybody will be able to take our current Canadian National accounts and make the proper comparison with the Canadian Pacific Railway, with the knowledge that the same accounting practices are being followed. Then you will have an accurate means of determining the efficiency, if you like, or the managerial competence of the Canadian National Railways without always having to have a qualification in respect of the figures.

Mr. RHÉAUME: At least since 1956 the accounting system has been on the rails?

Mr. GORDON: That is right, fully on the rails, so that future management of the railways will not have an alibi in respect of the actual results of the railway.

Mr. RHÉAUME: My next question is this: you are making proposals to the government, the principles of which you have given us, with some details of those principles, and they will eliminate the interest charges on this extra debt that you incurred prior to 1952.

Mr. GORDON: To the extent that we are able to demonstrate this shortfall in depreciation, yes sir.

Mr. RHÉAUME: Suppose your proposal in fact had been adopted last year, would the Canadian National Railways this year be in a surplus position rather than in a deficit position?

Mr. GORDON: I believe it would have been in a surplus position. That very point refers to questions asked this morning which touched on this very subject. If you look at the figures of the Canadian Pacific balance sheet you will find again very graphically illustrated the ratio of reserves for depreciation shown in their accounts; the ratio of that reserve to the property investments shows that they have a 45 per cent reserve for depreciation against the property investment account; and on the same basis with such an analysis, Canadian National Railways would only have 20.2 per cent. This again reflects the inadequacy of our depreciation reserves.

Mr. HORNER (*Acadia*): Is it 20 now?

Mr. GORDON: No. That is just the figure showing our own reserve accumulation in the 1963 balance sheet, and it shows that we have only 20.2 per cent of the property investment figure in our depreciation, while the Canadian Pacific have 45 per cent. That explains why we have had to borrow money instead of already having it.

Mr. HORNER (*Acadia*): But you claim you are now on the rails?

Mr. GORDON: As from 1956, yes.

Mr. HORNER (*Acadia*): Then should you not both be relatively equal?

Mr. GORDON: No, because we have not had time to accumulate it yet. This 45 per cent of the Canadian Pacific represents their past accumulation. If you take 1956 and separate the two, then you would be right. But you would have to separate them.

Mr. RHÉAUME: You told the committee I believe that the proposal you will make to the government would in fact change the Canadian National Railways balance sheet from a deficit of \$43 million this year to a surplus position. Then I think you have told the committee that you are going to make recommendations at least that the government will be financing it in some other way to pay the \$43 million in interest charges.

Mr. GORDON: What you are gradually doing is making me tell you the extent of our proposals to the government which I have said I will not do. This is something like the \$64 question.

Mr. RHÉAUME: Another thing I wanted to ask you is this: would it be fair to say that for every year since 1956 the same would be true having reference to your proposal?

Mr. GORDON: Yes, as from 1956, I think that could have been said. I would make the qualification that I have not studied that particular question, but I believe that would have been the answer.

Mr. RHÉAUME: I believe you also told the committee that the interest charges in terms of this method of depreciation allowance and so on, were not the only factors, and that there were others. You suggested certain things which occurred in the early 1960's, particularly the general application of the 40 hour week; labour costs; and certain competitive pressures as well which were factors. I am asking you the question now in terms of labour costs; I want to get some information from you about management. How many executives and assistants earn in excess of \$15,000, and how does this compare with the salary ranges for management in let us say the Canadian Pacific or in a similar industry? I am aware that you may not have this information now, but I ask you the question because you mentioned that there was also the factor of labour costs.

Mr. GORDON: You want to know how many earn in excess of \$15,000, and as to the comparison of these figures with those of the Canadian Pacific Railway or any other industry?

Mr. RHÉAUME: I ask you if the Canadian National Railways is paying excessively high salaries to management, or are they paying lower ones? Perhaps you might answer the question under the section having to do with personnel.

Mr. GORDON: The most obvious example of your question is to cite the underpaid, overworked position of the president as compared to the president of a similar company in Canada.

The CHAIRMAN: Order.

Mr. HORNER (*Acadia*): I accept that.

The CHAIRMAN: Is that all?



Mr. RHÉAUME: No. On another point you suggested that if in fact your proposal to the government is accepted, we would then be in a position to have an accurate yardstick with which to measure managerial performance.

Mr. RHÉAUME: You said in effect that if the government does this for you the next time you come, or whoever is president after your retirement comes, before the committee you will be able to account for your stewardship and make it stick. I am wondering whether there are other factors with which other committees will be faced. Did you not say at one point that in respect of substantial purchases you must get cabinet approval?

Mr. GORDON: We must get cabinet approval for our budget, yes.

Mr. RHÉAUME: Does that fact put the C.N.R. in an unfair competitive position with, for example, the C.P.R. in respect of which management decisions can be made without reference to the government?

Mr. GORDON: That is quite right, but then the president of the day would be able to tell the committee that he was not able to get the budget approved by the cabinet and state the reasons. Then you would have the reason. My experience has been that any proposal for a budget which is validated by the needs of the railway and supported by obvious facts, indicating that the expenditure is required, has not been difficult to get approved. If it should happen that there is a government of the day which refuses to approve a budget of the C.N.R., then the president of that day will have to tell you what his experience has been and you will have to form a judgment as a committee or as the House of Commons whether or not it is unfair treatment.

Mr. RHÉAUME: Would I be wrong if I suggested to you that in fact the relationship over the years between the C.N.R. and the government has never been one of nothing but love, but in fact there have been tremendous difficulties involved in just getting the cabinet to devote some time to the consideration of proposals?

Mr. GORDON: I cannot say that in terms of our annual budget. You see the procedure is that our annual budget is first of all approved by the board of directors and it goes through many layers of examination. It starts in the field with our area managers, who make the proposals and then goes to the regional vice presidents. They send the proposals to headquarters and there they are subject to very careful analysis. They finally come to my desk for presentation to the board of directors. When the board of directors approves a budget you can take it from me it is thoroughly documented in such a way that there cannot be, in my opinion, a valid reason for turning it down, always assuming the railway is going to run. There are some things you must have. You must have rails, you must have ties, you must have ballast and you must have equipment.

My experience has been, as has indeed been the experience I have read about in the past, that a proper valid budget presented by the board of directors of the C.N.R. to the cabinet has always obtained approval. There can be arguments and it is more difficult to get approval than otherwise. We do not get automatic approval, which seems to be the case, by using your own analogy in respect of the shareholders of the C.P.R.

Mr. RHÉAUME: I should like to ask you whether there are any other kind of considerations that have to be weighed by management, and I am thinking of the whole matter of bilingualism without discussing the merits of it? Surely the fact that you cannot put up a sign in one language without putting up another sign in the other language complicates the decisions of management? Would this not be the kind of conflict which faces the management of the C.N.R. because of its peculiar responsibility?



Mr. GORDON: I find that a rather difficult question to answer. It will always be the case in my opinion that the actual day to day management of the Canadian National Railways will be a more difficult operation in the sense that more people, so to speak, take a personal interest in it. This is the people's railway and everybody feels entitled to express views about it and so forth.

There are different kinds of pressures that come upon us from the people in various communities who feel they can talk to us on a different basis than they can talk to the management of the C.P.R. I do not regard that as too much of a handicap but as something with which we must learn to live. For example, you will find there are questions asked in the House of Commons in respect of the Canadian National Railways but seldom a question asked in respect of the Canadian Pacific Railway. This is an environment in which we live and I do not regard it as a tremendous handicap.

I notice Mr. Fisher coming in and I should like to repeat what I said a moment ago in respect of depreciation.

Mr. Fisher, I was giving a comparison that will be of interest to you in light of your earlier question. In our accounts for 1963 the total amount of our depreciation charges was \$99 million odd. You will find that in the statement. That represents the fact that we are now on a full depreciation basis in regard to the uniform classification of accounts. As I said, from 1956 on we are taking full depreciation, as nearly as we can estimate it, which will enable reserves to provide the capital expenditures required as the equipment we bought wears out. The difference between the two systems of depreciation charges is graphically illustrated by the fact that in 1951, if you look at the meaning of depreciation charges in those days, the total amount charged to our expenditure account in those days was about \$25 million to \$30 million. We are taking additional costs into our operating expenses in the form of depreciation that was roughly of the order of \$60 million a year more, which means that we are wiping out any possibility in the future of having this sort of problem, and we are trying to correct it with this recapitalization.

Mr. RHÉAUME: I have just one further question to ask you. I am trying to get you to tell this committee whether there are any other recommendations that you have which would improve the competitive position of the C.N.R. in terms of dollars and cents. You make one recommendation toward the end of your report and I am hinting at other areas in respect of which you may have recommendations that are not contained in your report. Is there anything in this regard you can tell the committee?

Mr. GORDON: Let me answer you in this way. We have made our recommendations pretty thoroughly before the MacPherson Royal Commission. When you pass legislation implementing those recommendations I hope that you will find they produce an environment which will give us a competitive basis enabling the Canadian National Railways to play its part in a fairly reasonable way in the competitive world in which it has to live.

Mr. RHÉAUME: I have one further question.

Mr. GORDON: As I said before, you can never eliminate some things such as the loving interest that is expressed by the members of parliament in respect of their constituencies and the operation of the C.N.R. That is all right and will always be, but I have no objection to it.

Mr. RHÉAUME: What would be the average interest rate you are paying on the old debts which resulted from the take over of those railways?

Mr. TOOLE: The over-all average of the Canadian National Railways borrowings is 4.37 per cent, Mr. Gordon.

Mr. GORDON: If you look at the statement at page 25 you will see that the average is 4.37 per cent.

Mr. RHÉAUME: It should be reasonably easy for me in the seclusion of my office to figure out the recommendation you are making to the government?

Mr. GORDON: I would not be at all surprised.

Excuse me, I should like to correct my statement. I want to add to what I have said that you must remember I told you we are not asking for the elimination of all the debt.

Mr. RHÉAUME: I am aware of that fact. I should like to ask one supplementary question. You did say that it is very likely that had this been done it would change your position from a \$43 million in the hole situation to at least a small surplus position?

Mr. GORDON: I did say that, yes.

Mr. MACDONALD: Mr. Gordon, can I take it that the companies referred to at page 18 of your report and the financial accounts of these companies have all been consolidated on the balance sheet?

Mr. GORDON: Yes, this is a consolidated balance sheet.

Mr. MACDONALD: Your figures there have been arrived at as a result of putting together all the figures in respect of these companies which you have listed?

Mr. GORDON: Is there any qualification in that regard, Mr. Toole?

Mr. TOOLE: No.

Mr. GORDON: That is correct.

Mr. MACDONALD: I am interested in knowing the figure in respect of the capital stock of subsidiaries owned by the public. Can you give in a general way some information in respect of the outstanding investments?

Mr. GORDON: Mr. Toole will deal with that question.

Mr. TOOLE: There is about 2,405,000 in stock owned by the public in the Canadian Northern Quebec Railway. You will see that item listed about sixth or seventh down the list. There is 6,800 in the Great Northwestern Telegraph Company; \$140,000 in the Montreal and Southern Counties Railway Company; there is 1,443,000 in the Northern Consolidated Holding Company Limited and about 489,000 in the Quebec and Lake St. John Railway Company. Those figures add up to the \$4,485,000 which I think you will see in the balance sheet.

Mr. MACDONALD: Do you have any policy in respect of liquidating the outstanding investments?

Mr. TOOLE: In a number of cases we do not know who the holders are and cannot find out.

Mr. MACDONALD: I see.

Mr. TOOLE: In other words there are proceedings in the hands of our legal people.

Mr. MACDONALD: Are there outstanding options to purchase in respect of these?

Mr. TOOLE: I would like to look up my records in that connection. I think there is in one or two.

Mr. GORDON: We stand ready to buy but there is no publicized option.

Mr. MACDONALD: For my own information I wonder if you could give me some indication of the nature of your investment in Trans Canada Air Lines.

Mr. FISHER: Mr. Chairman, we are unable to hear.

Mr. MACDONALD: What is the nature of the investment in Trans Canada Air Lines, which amounts to \$250 million?

Mr. GORDON: This is a total investment; we own all the stock of the company. There is nothing in the hands of the public.



Mr. MACDONALD: In respect of the figures for other physical properties, back in 1923 when the lines were all consolidated what became of any lands or otherwise which might have been held by previous railway companies? Were they surrendered back to the crown at that time?

Mr. GORDON: It would depend on the circumstances. Anything that could be construed to be in the physical ownership of the companies that were taken over came into the Canadian National Railways system. But, there was a mixed up situation in which some of the ownership of the land at that time was challenged. But, to the extent that the Canadian National, as such, was able to establish ownership, that all came into the Canadian National.

Mr. MACDONALD: Has there been a policy to divest the ownership of the Canadian National in lands not actually needed for operation of the railway line as opposed to the policy of the Canadian Pacific Railway which has extensive other investments.

Mr. GORDON: I think I mentioned in the report we have been following a policy in recent years of making available to anyone who expresses an interest any lands not directly required for railway purposes and also to utilize in many instances where there are what we call aerial rights available over our properties, an example of which is in Montreal, and we are doing that all across Canada. Also, we are co-operating with the local municipal authorities in regard to their planning activities.

The CHAIRMAN: Would you proceed, Mr. Fisher.

Mr. FISHER: Mr. Chairman, I wanted to return to the points Mr. Gordon raised this morning. This really has to do with the over-all transport policy of the country which, in my opinion, I think is rather ill defined. It seems to me you got hung up in your arguments this morning between two points of view which do not quite square; one is that you talk about a profit position being necessary in order to have morale within the Canadian National and then you also related this to your competition and to the dealings with labour organizations within the Canadian National. Yet, at the same time, I think you began to hedge a bit on just how overruling the profit motive should be, and you made some references to the public service obligations of transport. Would you be in any better position as a competitive entity and, in particular, in respect of the amount of capital invested if you were out and out to go after the largest amount of profit possible which, I assume, is the objective of your main competitor.

Mr. GORDON: Yes, I think that is a valid statement. It is always difficult to be precise about these things. I was expressing a personal opinion, that is not necessary for Canadian National to maximize profit in the sense that it goes out to squeeze out every drop out of it. As a matter of fact, I think the question is largely theoretical anyway because competition will take care of it. If you follow the logic and reason of the MacPherson commission report you will see that we will be able in the railway business or any other business to get only the charges which competition will enable us to get, and that is the real factor that is involved.

Mr. FISHER: Well, I do not follow the logic of the MacPherson commission report; it never did appeal to me. However, I want to put it to you that you are not only in the freight and passenger business; you are involved in almost every mode of transport in some way, shape or form in a greater or lesser degree. Certainly you are in the trucking business which has been the most competitive of all modes; you are into the red, white and blue fares and the intense competition in the passenger business competing with private cars, airplanes and so on. Have you ever looked ahead to ascertain where



Canadian transportation policy is going and where the Canadian National fits into this, bearing in mind we want to get some kind of integrated operation that is planned with the public service in mind instead of the maximization of profits of certain parts of the transportation picture.

Mr. GORDON: Yes. Of course, that becomes—and, I do not know how to express it—sort of a theory of operation. You are quite right when you say we try to be in all modes of transportation, including telecommunications and others. But, what I was trying to say is that if you are judging the results of the Canadian National it should be sufficient if the Canadian National is able to produce a small profit and that we do not have to try to squeeze the last dollar we can get out of a particular service so long as we cover our costs and make a marginal profit.

Mr. FISHER: What is the ideal transportation policy, since you are in all modes which relate both to public service and this slogan of competition that has been interjected into transportation policy discussed by the MacPherson commission report?

Mr. GORDON: I go along with the MacPherson commission report philosophy. I think it is very clearly expressed there, and that competition is the proper balance wheel in connection with our transportation policy as a national policy. And, if we arrange our forces so that the mode of transport that best can do the job is permitted to freely compete to do that job then we will get the best kind of national transportation policy.

Mr. FISHER: But, you are in all modes of transportation, and so is the C.P.R.; the one has immense resources and is a private company and the other has immense resources and is a public company. With the government behind the one where is the competition going to lead to in so far as the people within the other modes—and I am thinking particularly of trucking—are concerned.

Mr. GORDON: We are not in all modes in that sense; we are in modes of transportation which are associated and joined with the railway business as a basic backbone and we are using the truck as an extension of our policy to service the public. Pipe lines are a case in point. I am certain there will be developments of pipe lines in Canada and we will have to ask ourselves a definite question in respect of whether or not it is appropriate for us to go into that in respect of the business we are now in. I am not talking about oil but carrying solids and so on.

Mr. FISHER: Then let us talk about pulpwood chips. At the present time your line is hauling a lot of pulpwood. If a change comes into effect in regard to the moving of this pulpwood in chip form through pipe lines would you be interested in that business?

Mr. GORDON: Yes, I think so. It depends what industry we are serving. It is our duty to co-operate in regard to certain Canadian operations; we may be the only transportation agency that would be available and we would have to consider it then in terms of what service we can give to that industry. If we find we economically can build pipe lines to move solids we will do so, and that will be part of our transportation duty; but if we can handle it better by using the more orthodox methods, as we are doing, it does not necessarily follow that pipe lines will put us out of business. It may be we will be able to revise the method of railway transport to be competitive.

Again it comes to the touchstone of what is competition, what is the best method of doing it, and I regard, as the national transportation policy, that it is the duty of any transportation agency to utilize the most efficient method of transport to service the public.

Mr. FISHER: How can you achieve that when you have two major organizations engaged in providing a public transportation service operating from different bases, or are you suggesting that eventually the C.N.R. will be almost exactly on the same basis as the C.P.R.?

Mr. GORDON: That is what I am suggesting if we get this recapitalization. You will then be able to see the comparison of our operations with the C.P.R. on the same basis.

Mr. FISHER: Where is it going to finally evolve? You must have looked ahead. You have had 14 years of it. Where is it going to finally come to in terms of the relationship of these two major transportation companies within the transportation picture?

Mr. GORDON: Evolve in what way? Are you thinking of the respective operations or are you thinking in terms of the possibility of amalgamation?

Mr. FISHER: That, or an over-all transportation policy plan which I gather was also part of the MacPherson recommendations, although there is no indication that that is in the legislation.

Mr. GORDON: It is inherent in the MacPherson commission report, the national transportation plan. I would not attempt to be a prophet in regard to the future on what will happen in the two major railway companies. It may be that one of them will get fed up with some parts of the business. It has already been suggested as regards the passenger business. We are making an all-out effort, as you know, to discover whether or not the passenger business can be salvaged and kept with the railways. Our red, white and blue is a case in point. All these are business risks that we are taking. We are not absolutely sure it is going to work out. This is on an experimental basis. If it is found, in the future, that despite all our efforts in regard to the passenger business—and this is a good example—we cannot make it pay, then I think we should give it up.

Mr. FISHER: In relation to the subsidies that exist at the present time, would you express any particular views about any one of them individually; for example I am thinking in particular of the east-west bridge subsidy in the Maritime Freight Rates Act?

Mr. GORDON: As I said earlier, certain of these subsidies arise purely out of political considerations. When the government of the day feels there is any area in Canada that is handicapped in some way by geography, or whatever it may be, and if the government of the day wishes to give that area of Canada an advantage in regard to freight rates, then that is government policy. The only qualification I make is that it should not be done at the expense of the railways. If they want to put in a Maritime Freight Rates Act, which is after all a means of giving cheaper freight rates to a certain area in Canada, then that should be paid out of the public purse.

In regard to the East-West and the Freight Rate Reduction subsidy, that is brought about by the fact that the government overruled the Board of Transport Commissioners when they gave a freight rate increase some years ago. They overruled the decision of the Board of Transport Commissioners that the railways were entitled to increased freight rates, and because of that they announced at the same time that they would pay a subsidy pending the implementation of the legislation of the MacPherson Commission.

Mr. FISHER: How fair is the picture that the MacPherson royal commission has given of the need for doing away with subsidies and scaling away when the whole question of the Crowsnest pass rates was not really considered or relevant to the recommendations?

Mr. GORDON: This is new to me. Did you say the Crowsnest pass rates were not considered?



Mr. FISHER: I understood that the terms of reference specifically excluded any detailed consideration of the Crowsnest pass rates.

Mr. GORDON: I do not think so. I see right behind you Mr. Frawley who would be better able to answer this than I am.

Mr. FISHER: There was a great deal of discussion but I remember Mr. Frawley's examination of Mr. Sinclair of the C.P.R.

Mr. GORDON: I am not an authority on the terms of reference but my understanding is that it was clearly understood that the legislative protection in regard to the Crowsnest pass rates would not be changed. Now, that does not alter the fact that if it is shown by the railways that the rates given in that legislation are not compensatory in respect of the moving of grain, then the railways will have a claim for compensation, but the farmers of western Canada were assured, as a matter of policy, that the rates as protected in the legislation, would not be changed. There was a great deal of evidence lodged with the commission in respect of the cost accounting approach to the Crowsnest pass rates. I think it was probably the major item in the whole discussion.

Mr. FISHER: But at the present time neither your railway nor the C.P.R. has a figure to indicate this. For example, you have been hauling a lot of grain in the last year which was covered by this particular report. There is no real indication of the relationship of what is compensatory.

Mr. GORDON: There will be when the MacPherson commission legislation goes through. That is part of the \$50 million. There was a global figure taken as a transitional figure until the MacPherson legislation is brought into effect. I have not seen the legislation any more than you have, but I can pretty well draw my own conclusions from reading the report and hearing the discussions that have taken place. It specifically said in the recommendations that a recognition of the Crowsnest pass rates and their meaning will be part of the legislation.

Mr. FISHER: I was not aware this was going to be part of the legislation.

Mr. GORDON: I am certainly assuming it will be.

Mr. VAUGHAN: You are talking about the public service revenues which are the subsidies that the MacPherson commission recommended, but not the legislation to deal with the Crowsnest pass rates.

Mr. GORDON: Yes, I am talking about the recommendations of the MacPherson commission.

Mr. HORNER (*Acadia*): This Crowsnest pass rates discussion was quite interesting.

I should like to follow this up with the depreciation charges. Do I gather from your last remarks, Mr. Gordon, that arising from the MacPherson Commission's report there will be another subsidy for the railroads, or compensation if you like that word better, because of the Crowsnest pass rates?

Mr. GORDON: Not because of the Crowsnest pass rates, but you remember the MacPherson Commission report.

Mr. HORNER (*Acadia*): The report suggested that there would be payment made for A, B and C within reason.

Mr. GORDON: There is a transitional period in which the legislation will deal with various headings. Presumably, the interim payment will be cancelled. There will be the Freight Rates Reduction Act which will have to be taken care of, and there will be the bridge subsidy. The Maritime Freight Rates Act, I presume, will be continued. Then there is provision in regard to passenger deficits on an approved basis which will decline over a period of years and will



be paid in the form of a subsidy if the railways are able to prove the deficit, and then in respect of grain payments there is reference to that also. However, these are deficits, as I understand the commission's report, and I do not know how it is going to come out in the legislation.

Mr. HORNER (*Acadia*): I would like to know what you expect.

Mr. GORDON: What I expect is that the legislation will follow the general principle of the MacPherson commission report which I read to mean that if there is any place where the railways are required as a matter of public interest to carry traffic on a non-compensatory basis, that when the railways are able to prove that that is happening, they will be entitled to payment from the public purse. That is the general principle.

Mr. HORNER (*Acadia*): According to the statement of the Minister of Transport in Saskatoon last fall he was not convinced that the C.N.R. was losing money on Crowsnest pass rates.

Mr. GORDON: It would have to be proven before the Board of Transport Commissioners.

Mr. HORNER (*Acadia*): Judging from what the minister told the people in Saskatchewan, he is not convinced of it as yet.

The CHAIRMAN: Gentlemen, can we get back to the financial revision?

Mr. HORNER (*Acadia*): This is certainly financial; do not think it is not.

Some time ago, last year or the year before, you suggested that the C.N.R. were giving the diesel locomotive a 30 year life span. Am I correct?

Mr. GORDON: There is a regular formula. Each type of equipment has, under the uniform system of accounting, been given a life span with the authority of the board of transport commissioners. We are depreciating at that rate.

Mr. HORNER (*Acadia*): Maybe I am thinking of the steam locomotive.

Mr. TOOLE: The old steam locomotive had a life span of 33 years.

Mr. HORNER (*Acadia*): Can you give the committee some idea as to how many years the C.P.R. has allowed in respect of the steam locomotive? I want to draw a comparison. You say that you are going to be on an equal basis with the C.P.R. I want to draw a comparison as to how far you were on an equal basis in the past.

Mr. TOOLE: I can give you a brief summary. In the Canadian National Railways we started depreciating rolling stock in 1940, and actually the Canadian Pacific Railway did it at the same time. However, the C.P.R. started depreciating road structures in 1942, and we did not start that until 1956. The C.P.R. started depreciating hotels in 1936; we did not start that until 1954.

Mr. HORNER (*Acadia*): Even hotels?

Mr. GORDON: Mr. Horner, if I may repeat this, take the 1963 balance sheet: the C.P.R. had reserves for depreciation, as a percentage of their property investment, of 45 per cent, and for the C.N.R. the figure is only 20.2 per cent. No matter how you analyse it, it comes to that global figure because it means that there is a difference between each class of equipment. However, we have only 20 per cent reserve for depreciation and they have 45 per cent. I would hope that if we get this recapitalization, it will come out at approximately the same figure.

Mr. HORNER (*Acadia*): Since 1956 you have been depreciating the diesel locomotive at the same rate as the C.P.R.

Mr. GORDON: Yes, it comes under a uniform classification of accounting. We have to do it at the same rate as the C.P.R. by virtue of the board of transport commissioners.

Mr. TOOLE: I was going to say that road diesels and yard diesels are depreciated at different rates so that the difference between the C.P.R. and ourselves can be minor depending on the proportion that we have of road to yard diesels, but it is the same formula.

Mr. PRITTIE: There is a question I was going to ask at 11.30. I got up to let a member pass me and Mr. Grégoire started.

My question relates to what Mr. Fisher brought up. It seems to me, from Mr. Gordon's presentations this year and last year, that there is a bit of confusion as to his goals. He talks about being in a position where the C.N.R. would be in the same accounting position as the C.P.R. and where the C.N.R. would behave very much as a private enterprise. On the other hand, in reply to a question that was asked later on, he said he would want to make a small amount of profit after meeting all the charges. That seems to me confusing. There is a difference between operating as a public utility and operating as a private enterprise. My question arising from that would be that if you were to get in that position you would be a yardstick railway. You are not out to make the most amount of profit.

Mr. GORDON: I see the difficulty we are in. I had not thought about it that way. Both you and Mr. Fisher have a point. I was really dealing with it from another point of view. I was really trying to say that if we arrive at a profitable position, that should be regarded as satisfactory. However, if by reason of charging the same freight rates as the C.P.R., and if we accommodate ourselves to competition in the same way, and it turns out we make a large profit, there is nothing wrong with that. I do not see much opportunity of making a large profit in the light of the kind of competition that I see for the future. There is nothing wrong about it if we are able to adjust ourselves to competition on the basis where we give public service at a price and with efficiency of transport that is better than other modes.

Mr. PRITTIE: Is there any relationship between your statements at the end of your report where you talk about chronic deficits and where you say:

Then this will not only be severely damaging to the morale of the personnel,—

But then you go on to say:

—but could, in fact, have a detrimental effect on the important private enterprise sector of the transportation industry.

I do not understand it.

Mr. GORDON: It can be stated very simply that if the C.N.R. is left in the position of chronic deficit, that if continuing deficits are inevitable, and they will be inevitable if we do not get this recapitalization, then in my opinion, the morale of management will suffer to the point where there will be a what's-the-use attitude.

Mr. PRITTIE: I understand that part.

Mr. GORDON: Then the C.N.R. can become a competitor on a basis that will hurt the private enterprise section of the transport industry because they will not think about the profit motive in the sense of quoting a price for their services. They will say "what difference does it make?" It is indifference to deficit that I am afraid of. As I said earlier this morning, the only factor that will mean anything in regard to the future of the C.N.R. is pride of accomplishment. What I am trying to say is that if the C.N.R. is put in a position that it not only shows a profit but must show a profit, and that if it loses money in any year after this, there must be a damned good reason for it and there should be

almost a public inquiry as to what is wrong with management. I am setting a pretty tough line for future management, but I believe that with this adjustment that criterion is sound, and that you should be able to see what is wrong with the C.N.R. if it cannot show a profit in the circumstances.

Mr. HORNER (*Acadia*): You would do away with the Crowsnest pass rates, which has been your goal for branch lines for the last five years.

Mr. GORDON: As an excuse? No, because there is a very different basis now. Under the legislation the railways of the future will have to prove their losses. There will be no more general statements. The cost accounting complex, the cost accounting approach to it has been established, and that cost accounting would be maintained. If the railways of the future claim that, you can challenge them.

Mr. HORNER (*Acadia*): They have never been able to prove it to anybody as yet.

Mr. GORDON: They proved it to the MacPherson Commission.

Mr. HORNER (*Acadia*): Not in black and white. They were convincing enough to move the majority of commissioners on the MacPherson Royal Commission but they did not prove it down to dollars and cents that they were making money hauling grain.

Mr. MACEWAN: Mr. Chairman, I just have a short question. I wanted a clarification from Mr. Gordon in regard to what he said on the Maritime Freight Rates Act. Presumably, as I understood the recommendations of the MacPherson Royal Commission, they were to continue the idea held in the legislation of the Maritime Freight Rates Act, and I wonder if this is correct. They also stated that the benefits of the act would be open for all types of transportation in the Atlantic area.

Mr. GORDON: I did not say that.

Mr. MACEWAN: But is it correct?

Mr. GORDON: I do not know. It depends largely on what the legislation is.

Mr. MACEWAN: You said that you assumed when the legislation was brought down it would favour the retaining of this act.

Mr. GORDON: Yes.

Mr. MACEWAN: That is fine.

Mr. VAUGHAN: I think he said that the MacPherson report did not recommend cancelling the Maritime Freight Rates Act.

Mr. MACEWAN: Yes. Would you agree with that recommendation?

Mr. GORDON: What part of it?

Mr. MACEWAN: That the Maritime Freight Rates Act should not be rescinded.

Mr. GORDON: Yes, I would not disagree or agree with it because it is a matter of government policy.

Mr. MACEWAN: Yes. You said that with regard to areas which are depressed it is a matter of government policy and the payments should be made out of the public purse instead of out of the railways.

Mr. GORDON: That is correct.

Mr. MACEWAN: And that under the Maritime Freight Rates Act, shippers in that area are given the benefit of the act from the public purse.

Mr. GORDON: Yes, to the extent of the subsidy.



Mr. MACEWAN: And do you believe that under this act if we are to continue or not the benefits given to the Atlantic area, that they should go directly to that area and not be handled by the railways involved at all, such as the Canadian National Railways?

Mr. GORDON: That would become a matter of practical administration. I do not know how it could be handled. But I suppose anything is possible depending on how it is set up. But to me it would be a very difficult thing to do. That is only a personal opinion. The arrangement of payments to the individual shipper become a matter of practical administration. It could be done, but I think the cost of administration would be a pretty fearsome thing. I am only giving an opinion. I am not agreeing or disagreeing. It is entirely a matter of government policy.

Mr. MACEWAN: I take it that there is one point at least where the Canadian Pacific and the Canadian National agree, and that is the first recommendation of the royal commission, that the rates should more or less seek their own level?

Mr. GORDON: Yes, I think that the Canadian Pacific and ourselves are pretty much in agreement there. I do not know of any point of the MacPherson report where we are in disagreement. But again we do not know until we see the legislation.

*(Translation)*

Mr. ÉMARD: Mr. Gordon, speaking about the report we mean the financial report, Mr. Rhéaume was asking you a moment ago whether bilingualism created difficulties for your company. Now, since you have tried to find solutions to this problem, is it not true that the company's income has increased, as shown by the financial statements?

*(Text)*

Mr. GORDON: Well, I certainly do not want to try to appraise the general question whether or not more bilingualism would add to the cost of operating the Canadian National Railways. I do not think it is a possibility. I do not see how it could be. I say that it is the duty of the Canadian National to adjust itself to the requirements of any language in the area that we serve, and that is what we are trying to do. But I would not attempt to put a cost figure on it. It is not possible to do so, in my opinion. I really do not think it arises. It is just a matter of a part of the environment in which we live.

*(Translation)*

Mr. ÉMARD: I did not ask to establish the cost of biculturalism. I only wanted you to tell me that the fact that you were concerned with biculturalism at the present time did not prevent your company from making increased profits just the same.

*(Text)*

Mr. GORDON: I certainly would not say that bilingualism had any adverse effect on our business in the sense of making profits out of the business that we handle. I do not think it applies at all. Did you have it in mind that we were losing business, or not getting business because of biculturalism?

*(Translation)*

Mr. ÉMARD: No, what I thought was—what I thought was—that even with biculturalism, it does not create—Mr. Rhéaume gave me the impression that the fact that you were concerned with biculturalism caused increased expenses. Now, I think that in the case of the Canadian National, as with many other firms

that have to sell their goods, these added expenses are not really expenses because they bring in some business, just the same a certain business increase which makes up for the increased expenditure to further the cause of biculturalism.

(Text)

Mr. RHÉAUME: On a point of order, if someone is to say that sort of thing, it would probably better be said by someone with a French name. I did not imply it. I want to be correctly interpreted here. The president of the Canadian National Railways is under various kinds of requirements that place him perhaps in an unfair competitive position. The other point was that in fact a parliamentary committee can always be raising matters with the problems of bilingualism and biculturalism and that they apply more directly to crown corporations. I was not discussing the merits of the issue, and I do not want it to be left with that impression.

Mr. GORDON: I might dispose of the question by saying that there is no additional cost to the Canadian National Railways by reason of biculturalism or bilingualism. So long as we conduct our services in Canada and service industry, and it is to our own advantage to give the public in any area of Canada the service that they ask for; and if they want service in French rather than in English, we will give it. I do not consider it to be a handicap or a cost. It could benefit the business.

(Translation)

Mr. ÉMARD: That is what I wanted to know.

(Text)

Mr. RHÉAUME: I have another line of questions to pursue. I put it to you that on the basis of what you told me earlier about the proposals you are going to make, or which you have made, or which you are on the verge of making to the government, there was a proposal to the effect that the Canadian government recapitalization of some \$900 million of Canadian National long term debt would be effected.

Mr. GORDON: I have not mentioned any figure.

Mr. RHÉAUME: You told me that you paid a certain percentage, 4.7 per cent, and that it would have the effect of eliminating \$43,000,000 of deficit that you have this year. My mathematics would put this sum in the order of recapitalization at \$900 million. I do not want to leave the committee with the wrong impression. It might be higher or it might be lower.

Mr. GORDON: My eight year old child is having great difficulty with the multiplication table. I must fall back on that, too. You can draw an inference, but you cannot get me formally to admit it. You might say that the whole proposal of what I said this morning was not confined wholly to the question of the unrequited depreciation. There is more to it than that. You have to wait until you get the whole proposal.

Mr. RHÉAUME: It is not an unfair proposal to use 4.7 per cent on \$43 million.

Mr. GORDON: If I should ever be tried for murder, I would ask you to defend me.

Mr. RHÉAUME: We would both hang together.

Mr. KINDT: Is the proposed legislation for capital readjustment to be initiated prior to the legislation on railroad abandonment, or is parliament to receive a package deal including railroad abandonment.

Mr. GORDON: I have no means of answering that question. I hope to get recapitalization ahead of any other business that we have, but it is a matter for the government to decide.

Mr. KINDT: If they were to undertake that legislation before you followed up the branch line abandonment arrangement, would you not then be in a position that some of the figures on recapitalization would be moved?

Mr. GORDON: No. I do not think that branch line abandonment has any bearing upon the recapitalization proposals at all.

Mr. KINDT: In other words, you mean to say that the earnings from the branch lines which are now in operation and that would be abandoned would not change the capital structure or the earnings of the railroad?

Mr. GORDON: No, I do not think so. The number of branch line abandonments that you prefer to has gone past the appraisal of specific branch lines, and if we claim that we are showing a loss, we are going to be given an opportunity to file this claim with an appropriate board which will sit in judgment of our claim. If it turns out in the judgment of the board that we have shown a loss, and that the line for reasons of public interest should nevertheless be continued, then the MacPherson commission report says that we should be paid the difference. It does not necessarily mean that any line will be abandoned. We merely have a claim for compensation under the provisions of the MacPherson report.

Mr. KINDT: Would not the compensation you receive change the capital structure?

Mr. GORDON: No, not the capital structure, but our profits, our operating results.

Mr. KINDT: I have another question. I notice that your expenditures for telecommunications between 1962 and 1963 have gone up from \$11.7 to \$27.3.

Mr. GORDON: What page is that?

Mr. KINDT: Page 4.

The CHAIRMAN: I wish you would wait, Mr. Kindt.

Mr. KINDT: This is on the capital structure. This is an investment.

The CHAIRMAN: All right, go ahead.

Mr. KINDT: It is capital expenditures that I am talking about.

Mr. GORDON: Yes.

Mr. KINDT: Therefore, I am perfectly on the beam.

The CHAIRMAN: As long as we do not get into too many details, yes.

Mr. KINDT: But here it is right on page 4.

The CHAIRMAN: But we are on page 1 now. I have held back some other members who wanted to get to railway operating expenses.

Mr. KINDT: I am prepared to defer, rather than to wander all over the place.

The CHAIRMAN: Not yet.

Mr. KINDT: My question has to do with capital expenditures.

The CHAIRMAN: Are we through with page 1?

Mr. FISHER: It seems to me that two years ago when you first brought up this question of refinancing, your figure was one of about \$800 million. I notice that the Montreal *Star* put forward the figure of a billion.

Mr. GORDON: This is very difficult for me. I find I am getting to be an old man, because I cannot remember all the things I said at past committees. But if I remember correctly that figure came into being when I called attention to the comparison of the Canadian Pacific reserve for depreciation versus ours.



I think I said if they should take the same ratio, we should have at least \$900 million more in our reserve account. That is my recollection of it now. But I am speaking about two years ago. I think you brought the point out, and I think that is how that figure came into discussion. I would have to look back to see.

The CHAIRMAN: Does page one carry? Carried.

Now, page 2. Mr. Rapp has a question on railway operating revenues.

Mr. RAPP: Mr. Chairman, I should like to ask Mr. Gordon whether I am right in assuming that new revenues have been obtained by the C.N.R. through the movement of potash?

Mr. GORDON: Yes.

Mr. RAPP: I am interested in this particular subject and I should like to know whether other potash companies in operation or in the process of sinking shafts in Saskatchewan have applied for the extension of branch lines to their mines for the movement of potash and, if so, has the C.N.R. complied with their requests, or has management in mind the extension of some of its lines to certain potash mines?

Mr. GORDON: Our position in this regard depends entirely upon the locations involved. If our line is adjacent to a particular point we would expect to service it, but generally speaking the policy is that the railway which is closest to the point location receives would deal with any such application. Certainly if anyone with a potash development applied to us for railway service we would try to accommodate.

Mr. RAPP: That is the answer I wanted to obtain because the two companies I have in mind intend to sink shafts in an area which they hope to have serviced by Canadian National Railways at extension lines. I am referring to the Alwinsal Company and the Kerr-McGee Company, both of Lanigan, Saskatchewan. I have been asked by some officials of these companies whether the C.N.R. will favourably consider applications in respect of these locations if and when they are presented.

Mr. GORDON: As far as I am aware I expect that our industrial development department is closely in touch with any potential potash developments. I cannot tell you in detail the exact situation but I should be very surprised if there are any potash developments about which our department does not know. However, if it is logical for the Canadian National Railways to service those developments we are after the business, and if you know of any names or can give me any tip-off in advance of our competitors I would be delighted to see whether we can get in ahead of them.

Mr. RAPP: As I suggested, the Alwinsal and Kerr-McGee Companies are interested in sinking shafts in the vicinity of Lanigan, Saskatchewan.

Mr. GORDON: I am practically certain that the officials of our industrial development department have already been in contact with the officials of those companies.

Mr. RAPP: I am not sure whether the branch line extension into Esterhazy is a C.P.R. or C.N.R. line. There is a branch line extension into that town.

Mr. GORDON: We were in there first and providing service, and then our competitors got in there by C.P.R. methods.

An hon. MEMBER: By skulduggery.

Mr. RAPP: The only thing I wanted to know was whether you considered these applications favourably because as you state in your report the movement of potash provides a good source of revenue to the company.

Mr. GORDON: This is a very important part of our operations.

To put the situation very simply, if there was a development somewhere approximately two miles from our line we would expect to service it but if it was 40 miles from our line and only two miles from a C.P.R. line we would be pretty well sure that we would be beaten.

The CHAIRMAN: Mr. Lloyd, did you have a question to ask?

Mr. LLOYD: I have a question in respect of recapitalization. Does our consideration of that item come at a later stage?

The CHAIRMAN: We have just finished our consideration of page 1.

Mr. KINDT: Page 1 deals with earnings.

Mr. LLOYD: Recapitalization is generally referred to under the paragraph headed "Outlook" at page 68. I will wait until we consider that item to ask my question if you desire. Are you referring to page 3 at this time?

The CHAIRMAN: We are referring to page 2.

Mr. HORNER (*Acadia*): We are actually referring to page 3.

The CHAIRMAN: We are referring at this time to pages 2 and 3.

Mr. LLOYD: I should like to ask a question in respect of municipal taxes.

Last year I understood that we would be provided with some sort of a schedule indicating the tax payments made to municipalities in Canada by the Canadian National Railways. I am wondering whether that statement was ever prepared. I have not seen it as yet and I am wondering whether it was not prepared as a result of an oversight.

Mr. GORDON: I cannot recall the situation at the moment. Have you this information Mr. Toole?

Mr. TOOLE: I do have a summary of figures here which tie in with the printed report in front of you.

If you look at page 23 of the report you will see the figure in respect of railway tax accruals of \$22,839,000. That figure appears in the centre block of figures third from the bottom. That figure is comprised of municipal taxes or agreed payments in lieu of taxes paid by the railway to the extent of \$9,560,000; provincial and state taxes, Canada \$2,800,000 and United States \$2,500,000; unemployment insurance in Canada \$3,600,000 and in the United States \$1,500,000; United States railroad retirement tax, \$2,600,000 and other miscellaneous taxes to the extent of \$280,000, the total of which is \$22,839,000. Of that amount, as we pointed out, \$9,560,000 is municipal taxes or agreed payments in lieu of taxes.

Mr. LLOYD: The question asked last year was designed to produce information regarding your reasons for differences in the payments of taxes either by law or by agreement.

The CHAIRMAN: Mr. Lloyd, would you come to the table so that you are near a microphone? It is difficult for the translators to pick up your voice.

Mr. LLOYD: I am sorry. I did not realize that that was the case. Shall I begin again?

Last year I recall making a request for a comprehensive analysis in respect of municipal tax payments which would show why tax payments were met in some municipalities and not in others. Eventually I hoped to make a comparison between C.N.R. policies and C.P.R. policies in this respect.

Mr. GORDON: I think I should start off by indicating to you what C.P.R. policy is and then you probably can deduce from that our policy.

As far as I am aware the C.P.R. does not pay taxes unless it must. That is the first statement I wish to make. The C.P.R. pays taxes as it is required to.

Mr. GRÉGOIRE: Everybody is in that position, Mr. Gordon.

Mr. GORDON: I think we are all in that same position.



We are in the same position and only pay taxes as we are required to pay them. If we are able to advance reasons for not paying taxes of course we advance those reasons wherever they may bear fruit.

Mr. LLOYD: That is a very entertaining answer, Mr. Gordon.

Mr. GORDON: It was not intended to be entertaining.

Mr. LLOYD: That is perhaps your way of getting your message over. Let me say this to you. I should like to have an answer to my question. You have indicated that you want in respect of the accounting and financial arrangements of the Canadian National Railways a system whereby you can readily compare the operations of the C.N.R. on a fair basis with the operations of the C.P.R. and other competitors. You are seeking a recapitalization for this purpose. Ultimately you hope when the real organization is completed you will be able to show what the C.N.R. will do in respect of the extension or curtailment of particular services. You hope that any federal government subsidy necessary to maintain services will be clearly indicated by some different and better method of reporting and will not be lost sight of in the new deficits of the railway.

The impact you say on the federal government budget will be the same so long as the federal government policies remain the same in respect of subsidies but would at least give a fairer picture of the results of the operation of the railways under the new system. I suggest that this same thing is true in respect of municipal taxes, and that until we find out what are the different reasons for the different policies in respect of municipalities we cannot very well prepare a case, if you like, for some uniformity of practice. All I asked for last year was that a summary be made, or an analysis be made setting forth the different reasons why you pay full taxes in respect of the Canadian National Railways hotel in Montreal including business and water taxes yet in respect of the Nova Scotian hotel in Halifax you have a tax agreement.

Mr. GORDON: I think the short answer to your question is, as I was trying to say earlier, we pay taxes depending on the circumstances in the area in which we pay them. This situation is true in respect of the C.P.R. which is in the same situation. In certain places the C.P.R. has exemption, whereas in those same places we do not have those exemptions. The tax policy depends entirely on the particular background and place in which the railway is operating.

Mr. LLOYD: I should like to come back to my original question.

Mr. GORDON: All right.

Mr. LLOYD: Before you go on to explain particular cases, I should like to know whether it is possible for you to put between the covers of one publication a statement of your policies in respect of municipal taxation in Canada. That is all the information I am now seeking. There are differences involved and I think as the president of a crown company looking toward the objectives you are looking toward your policy in respect of municipal taxation is very essential.

Mr. GORDON: Our policy is just that which I have attempted to explain. We deal with our tax position depending upon the area in which we are taxed. The same thing applies to the C.P.R. There are situations on both railways where one railway is granted exemption and the other is not. And, this is very true of western Canada now; there are exemptions applying to the C.P.R. that go back into history which do not apply to the C.N.R. We are paying taxes in many places where they are not. The same thing applies to the Canadian National in terms of the history of the railways that became



part of the C.N.R. system, and wherever we inherited a local situation that gave us in some cases a more favourable position and, in other cases, a worse position, we live with that position and do the best we can with the local authorities.

Mr. LLOYD: You certainly do. We have lots of experience in that field. But, I still come back to my point, that in order to have a proper comparison of the result of your operations and that of your main competing carrier you would have to show the places where you are liable for municipal taxes and they are not.

Mr. GORDON: Yes, and you also would have to get the C.P.R. to give you a similar statement in order to make the comparison, and they will not do it.

Mr. GRÉGOIRE: Is it not public information?

Mr. LLOYD: Why will they not?

Mr. GORDON: I do not know.

Mr. LLOYD: You mentioned that you are required to maintain standard accounting practices; who imposed that upon you?

Mr. GORDON: The Board of Transport Commissioners.

Mr. LLOYD: And in these reports to them do you detail municipal tax payments?

Mr. GORDON: No. That is not one of the duties of the Board of Transport Commissioners. The uniform classification of accounts merely deals with the manner in which the accounts shall be drawn on our books: They do not tell us what taxes we should pay; the local authorities tell us that.

Mr. LLOYD: Are you saying then you cannot give us this detailed analysis of municipal tax payments because the C.P.R. will not?

Mr. GORDON: No; I am saying I do not think it is in the interest of the Canadian National to start to give a detailed analysis of the individual taxation situations which meet us across the country. We live with the situation as it obtains at the particular time, and it varies. It would be quite a difficult job to work out all the situations. I say two things: I do not think it would serve any good purpose in terms of the factual conditions we meet, and it would not change the situation anyway. We still would have to deal with the local authorities.

Mr. LLOYD: But, surely to goodness, you might be able to accomplish some uniformity of policy if you were to disclose to the municipalities the problem you are up against.

Mr. GORDON: No. We cannot dictate to the local authorities.

Mr. LLOYD: You are not dictating to them. But, at the moment, you are refraining very effectively from giving any information in this field to this committee. Last year you said you would give us such information.

Mr. VAUGHAN: Mr. Lloyd, could you leave that with us?

Mr. LLOYD: I left it with you last year with the expectation that the necessary information would be forthcoming this year.

Mr. VAUGHAN: I remember the conversation. I think you and I had that conversation but I did not recollect the conversation was that we come here with a statement and give it to you. You just said at the end of the committee: I hope next year Mr. Gordon will know more about taxation.

Mr. LLOYD: Well, I am still hoping.

Mr. GORDON: I want to try and find out what you want. I am not trying to resist you.

Mr. LLOYD: You know what I want.

Mr. GORDON: No, I do not. Let us get specific. You want to know the places where we pay taxes or where we make arrangements to make a payment in lieu of taxes.

Mr. LLOYD: Yes, and the reasons for it. That is all I want. A very brief statement by the railway would accomplish this. There may be some statutory exemption which goes back a number of years and the agreement may have been negotiated because of a promise on your part to do some extra construction if you got an attractive tax rate.

Mr. GORDON: Well, there are an awful lot of them.

Mr. LLOYD: It is the lack of this information that has been frustrating municipalities for many years when trying to make reasonable requests of the C.N.R.

Mr. GORDON: This is exactly the point.

I suggest, Mr. Chairman, that this committee should not be used in that fashion. I suggest to you that we should be treated the same as a business corporation conducting our own negotiations with each individual municipality and that this committee should not be used for the purpose of getting from me a statement that will enable them to find new arguments and new situations that will make our position more difficult.

Mr. LLOYD: Well, it is becoming increasingly apparent you do not want to give this information.

Mr. GORDON: No, I do not want to give it.

Mr. LLOYD: And, you do not think it is in the public interest to give it?

Mr. GORDON: I do not think it is in the public interest to give it.

Mr. LLOYD: And, you do not think it is in the interest of the Canadian National to give this information?

Mr. GORDON: That is what I think.

Mr. LLOYD: And, you think that a royal commission in Great Britain which recently examined the harbours board installations, and stated these kinds of facts are essential to properly evaluate economic considerations of government policy, was wrong and you were right.

Mr. GORDON: I do not know what they said. I never read that report.

Mr. LLOYD: I will provide you with a copy before you leave this committee.

Mr. GORDON: I will be glad to read it.

Mr. LLOYD: Mr. Chairman, I will leave it at that. I do think we should get the information.

Mr. HORNER (*Acadia*): In respect of railway operating revenues on page 3, it states here that export grain shipments were greatly responsible for the higher revenues. I think it was said in former committees that grain shipments accounted for 27 per cent of the freight and 10 per cent of the revenue. What are the figures for 1963 in that connection?

Mr. GORDON: I think these are the figures you are requesting.

In 1963, in respect of grain, we handled 11 million tons, grain products 2.9 million, for a total of 13.9 million; all other commodities, 70.2 million, which totals 84.1 million. Now, the percentage of grain to total tonnage was 13.1 and, if you include grain and grain products, it is 16.5.

Mr. HORNER (*Acadia*): That is the hauling.

Mr. GORDON: Yes, the total tonnage hauled.

Mr. HORNER (*Acadia*): Now, would you give me a comparison of the revenue received or have you that broken down? I am sure you gave it to us for other years.

Mr. GORDON: No, I have not that broken down. We have not analysed 1963 yet.

The CHAIRMAN: Can you get that information for us?

Mr. GORDON: I doubt it very much. It takes a little bit of analysing and we have not it ready yet.

Mr. HORNER (*Acadia*): Would you say that hauling the increased shipments of export grain helped increase generally the over-all revenue of the C.N.R.

Mr. GORDON: I would say yes, in the short run.

Mr. HORNER (*Acadia*): You say you would say yes in the short run?

Mr. GORDON: Yes. It all depends whether you are talking gross or net. But, the gross figure for grain revenue in 1963 was \$8.7 million.

Mr. HORNER (*Acadia*): That is the increase?

Mr. GORDON: The increase in the grain revenue, yes.

Mr. HORNER (*Acadia*): I take it from this that this is helping the financial net picture of the Canadian National?

Mr. GORDON: Yes, it would depend on what you figure out is net, and that is the figure I have not figured out yet.

Mr. HORNER (*Acadia*): You agree with me and then you confuse me. I do not understand.

Mr. GORDON: Well, you see, you have to remember always in respect of grain discussions that an increase in handling grain in the short run is beneficial but in the long run if we were handling that amount of grain it raises a question then in regard to our equipment, what expenses we have incurred in respect of the railway lines, the amount of equipment and so forth, and whether our capital expenditure necessary to handle the grain in the long run gives us a net revenue, and that becomes a cost accounting matter.

Mr. HORNER (*Acadia*): You are not certain in your own mind in the long run whether or not we do help the C.N.R.?

Mr. GORDON: That is right.

Mr. HORNER (*Acadia*): You have not convinced yourself whether you can make money on the Crowsnest pass?

Mr. GORDON: No, I did not say that. In the long run it depends on what is the amount of the increase. I think you are talking about increased traffic.

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: In order for me to determine whether this is beneficial I would have to have it analysed in terms of the amount of increase in respect of the cost of handling it.

Mr. HORNER (*Acadia*): I realize that. I am only trying to obtain some information in respect of the bottom part of this particular paragraph which deals with freight rate subsidies and which lists those that are paid out. I am not trying to analyse what you think in your mind should be tacked on to that figure for a grain subsidy. This is what I am trying to arrive at. You said there would be nothing, and now I am not so sure about that.

Mr. GORDON: The total amount mentioned in the MacPherson commission report showed \$22.3 million.

Mr. HORNER (*Acadia*): For Crowsnest pass?

Mr. GORDON: Yes, in respect of the potential payments that might be payable to the railways, subject to proof.

Mr. HORNER (*Acadia*): Did they suggest any amount of grain carried for that loss—the one assumed of the grain carried?



Mr. GORDON: They arrived at a figure for the purpose of their report of \$22.3 million for both railways. I have not the breakdown in mind now for Canadian National Railways and Canadian Pacific but it does not matter for your point; that is a maximum figure in the MacPherson recommendations. That is the figure for which legislation will provide if the railways will prove their cost in that respect. Subsidies may be payable up to that extent. If you are right, there may be none.

Mr. HORNER (*Acadia*): I am just agreeing with what the Minister of Transport said in Saskatoon; assuming the maximum shipment for both railways, one can only agree that the Crowsnest pass rates made their money. I am accepting exactly the picture given by the minister in Saskatoon.

Mr. PICKERSGILL: I suggest, if it is not rude to do so, that Mr. Horner speak for himself and not say what the Minister of Transport said in Saskatoon.

Mr. HORNER (*Acadia*): Then let us hear what you said in Saskatoon.

Mr. PICKERSGILL: I would want to see the record of what I was supposed to have said in Saskatoon, because I had no text there at any time.

Mr. KINDT: Is Mr. Horner misquoting you?

Mr. PICKERSGILL: No, I do not say that at all; I merely say that I prefer to make my own statements. I have never attempted to quote Mr. Horner.

Mr. KORCHINSKI: Mr. Gordon says that green wheat hauling has produced an increase in revenue, and so on. In other words, despite the fact that box cars may have had to return empty—in terms of the short run—this still can manage to produce an increase in revenue. Is that right?

Mr. GORDON: Certainly an increase in gross revenue, but I do not know about net revenue. You see, we are talking here about rather technical questions of cost accounting. It is a question between our variable cost and the all-in cost.

Mr. KORCHINSKI: You are attempting to drag this out. We are talking about short-run effects. You are also trying to drag in other expenses in which you may be involved.

I think several years ago one of the big arguments was that box cars had to return empty and that that has resulted in a loss of revenue or no revenue at all to Canadian National Railways. In this case, despite the fact that you perhaps go back empty in many instances, you still contend that on the short run you are still showing a greater profit?

Mr. GORDON: This is the same problem one finds with the peak load. At any given point one obtains a sudden upsurge of profit. In the short run one is likely to make money on it. However, if one has to provide for all the capital costs that go with continuing that amount of traffic, then one has to analyse it to see what one's capital costs are in continuing it. We can always do an emergency job; and this is what happened with the Russian wheat job. In an emergency job people will buckle to, and we find that we can get extra shippers and transportation people who will put up with a lot of inconveniences in order to get the job done. However, one cannot do that forever; one has to buy the equipment and recognize in order to meet the long term. It is at that time that one has to see if one can obtain a net profit out of the new volume.

Mr. KORCHINSKI: But if, as you suggest, you are allowed a new depreciation system, that system would take this into account, would it not?

Mr. GORDON: No, I am speaking about an operating expense.

Mr. KORCHINSKI: I think you are suggesting that you may have to rebuild and so on and see how much maintenance will have to be done. Will that be taken into account with the different depreciation system you suggest?

Mr. GORDON: No, the depreciation there will work automatically because the depreciation is based on the usage of our equipment. If we have to buy new equipment there is a depreciation charge to our account based on that equipment. In other words, our capital cost goes up and our operating cost is increased for that new equipment, so that has nothing to do with the question you are asking. It depends upon the amount of equipment we may have to buy at any given time. The operating cost is a different story altogether.

Mr. KORCHINSKI: It may be a different story in the case that you mentioned, but you take into account the use of the box car against the use of facilities and so on, against grain haulage, in your calculations to see whether you have made a profit or a loss, so that—

Mr. GORDON: That is part of the charges, yes.

Mr. KORCHINSKI: Therefore you have still to take into account whether or not that equipment can be replaced?

Mr. GORDON: Yes.

Mr. KORCHINSKI: I contend, therefore, that with an increase in the service—despite the fact that you have had to return empties—that has paid for itself and, therefore, your previous argument that they have had to come back empty does not hold water any more.

Mr. GORDON: I do not know what is the argument of coming back empty. Did that come out in the commission hearings?

Mr. KORCHINSKI: I can remember the discussion several years back.

Mr. GORDON: It is only an incident in regard to the total cost. When one costs any particular equipment, one takes everything into account. Depreciation would be one of the things which one would take into account.

Mr. KORCHINSKI: Then we will discount that argument entirely.

Mr. GORDON: No, that is not the conclusion.

Mr. SOUTHAM: My specific question was asked by my friend Mr. Horner with regard to the increase in revenue. At the top of page three you have listed an improvement of \$25.7 million in operating revenue over 1962, and you specifically mention potash, export grain shipments and increased shipments of automobiles and parts.

As I say, you have answered one part of my question. Further on, on page nine, you mention emergency grain handling and you say that 1,000 hopper cars which were normally used for hauling gravel were equipped with plywood tops in Canadian National shops, and placed temporarily in grain service. This was done in order to increase the supply of cars for wheat traffic.

Would this curtail your operating revenue in any other section of your service, or was this able to be done in addition to your other services?

Mr. GORDON: No, these were cars that were normally not used in the wintertime, cars used in the movement of a type of traffic that did not move in the wintertime. We seized them and covered them with plywood tops and we moved them in the winter.

Mr. SOUTHAM: In other words, it did not cause too much additional expense?

Mr. GORDON: It involved the cost of plywood tops, yes.

Mr. SOUTHAM: With the large increase of movement in export grain and the resulting revenue from it, would your attitude appreciably change towards representations that were made, say, to the MacPherson royal commission on railway abandonment? I am thinking here, sir, of something about which the people of western Canada are very sensitive. This is a question they have asked me. Would there be a change of attitude on behalf of Canadian National Railways or the Canadian Pacific?

Mr. GORDON: No, I inquired into that question. I inquired whether the new volume of export wheat would change any branch lines, and the answer I received was no, that there would be no appreciable significance in any of those branch lines that we have considered as candidates for abandonment.

Mr. HORNER (*Acadia*): Have you ever published those branch lines?

Mr. GORDON: Yes, they have been notified to the Board of Transport Commissioners and they are a matter of public knowledge.

Mr. SOUTHAM: The evidence you gave last year to the MacPherson royal commission, in regard to the number of applications you made to the board of transport commissioners on railway abandonments, showed that you were in a bad position for competitive reasons, in particular for the reason that they had made a similar number of curtailed applications to the board of transport commissioners for railway abandonment. In other words, in the over-all terms of this problem, has there been any appreciable change?

Mr. GORDON: I understand that the Canadian Pacific Railway has filed some branch line abandonments, but I do not think they have said that they have filed all of them. We have been trying to put before the board all the essential candidates, but I do not know whether Canadian Pacific have done that or not. It was their declared policy at the time that they did not wish to do this.

Mr. SOUTHAM: It is pretty well known that Saskatchewan is the largest grain shipper. Any revenue from grain handling is more applicable to Saskatchewan than to some of the smaller exporting provinces.

Mr. CROUSE: On page three an increase of \$0.4 million was mentioned in the amount received from railway freight under the Maritime Freight Rates Act within and over the Atlantic provinces? Would this cover freight, for example, that is shipped on the ferry *Bluenose* from Yarmouth to Bar Harbor?

Mr. GORDON: I do not think the freight rates come under the maritimes act. Is that your question? Are you asking whether traffic on the *Bluenose* comes under the Maritime Freight Rates Act?

Mr. CROUSE: Could you also tell me if the *Bluenose* is making a profit or loss at the present time?

Mr. VAUGHAN: Your first question with regard to the Maritime Freight Rates Act is one which I can answer. I do not think that it would apply to the *Bluenose* as the act applies only to rail-carried traffic. In the preferred territory, which is the Atlantic provinces, there is a 20 per cent reduction; and 20 per cent out of the preferred territory, that is from Levis to Quebec.

The answer to the second question with regard to the *Bluenose* is that the deficit last year, I think, was around \$190,000.

Mr. CROUSE: In view of your concern—and I appreciate it—with regard to operating the system at a profit and in view of the fact that the *Bluenose* is now operating at a deficit, would you be inclined to endorse the establishment, for example, of a second ferry which has been proposed and which would be helpful to the fast transportation of our fresh fish from our newly expanding fishing fleet, or would you have a tendency to perhaps turn thumbs down on the proposal in view of the result it may have on your profit?

Mr. GORDON: That would not be a matter for our decision. We do not pay a deficit on the *Bluenose*. We operate the *Bluenose* for the government as managers and the deficit is paid by the Department of Transport. If there were an application for another ship based on a market analysis of potential traffic, then the Department of Transport would have to determine whether or not they were prepared to sponsor another ship. It would not be our decision.

Mr. VAUGHAN: I now have the figure for 1963. In 1963 the deficit was \$217,107. In 1962 the deficit was \$194,000.



Mr. HOWE (*Wellington-Huron*): I have a question for Mr. Gordon in connection with the last sentence in the first paragraph which says that:

While revenue ton miles were up 12.9 per cent to 40.2 billion, the average revenue per ton mile declined 7.5 per cent.

Could Mr. Gordon explain why that revenue was down?

Mr. GORDON: That arises out of mixed traffic. I am almost afraid to mention that one of the reasons it is down is that we handle so much grain. Obviously, if we handle some traffic at a rate below the previous average, it will reduce the percentage. Grain was not the only thing, but the fact that we handle so much would reduce the revenue per ton mile. However, there is another thing which involves incentive rates to get larger loading on our cars, and so forth. It is an incentive factor, but on the mixed traffic it is less per ton mile.

Mr. HOWE (*Wellington-Huron*): On shipments for automobiles and parts, it is mostly attributable to the parts that you put on gondola cars?

Mr. GORDON: You mean the tri-level special type cars for handling the automobiles?

Mr. HOWE (*Wellington-Huron*): In other words, you are getting much more of that traffic now?

Mr. GORDON: Much more, yes; they have been quite satisfactory.

The CHAIRMAN: Are there many questions on the final review? Can we carry on with that this afternoon and then go on to development this evening?

Mr. REGAN: There are some aspects of it that will tie in with the outlook.

Mr. FISHER: I have one question.

You have an item in here which relates to the job security fund. Mr. Gordon and I know that the spokesman for the C.P.R.T. and T.W. made the point that their union is quite dissatisfied with their last agreement. They felt they had made concessions—and I quote—that “would put us in an advantageous position in the year’s negotiation and in order to establish the job security fund”, which incidentally is not even working yet. What is the amount that has gone into the job security fund, and is it likely to be put into effect and to be used?

Mr. GORDON: The origin of the job security fund, you will remember, was propounded by the board of conciliation under Mr. Justice Munroe in 1961. This fund was a fund set up in order to mitigate the hardship of long service employees where positions became redundant. On the basis of that agreement it was to be one cent per hour on the basis of the then current employment levels, and our estimate—which I have before me here—was that it would cost Canadian National Railways alone about \$1.2 million per annum. From the time at which the fund commenced and to the end of February 1964, the total amount accumulated by Canadian National was \$1.423 million, and this would be roughly 60 per cent of the fund. You can deduce from that the proportion contributed by the Canadian Pacific Railway would be about 40 per cent beyond that making a total fund of about \$2 million. It was stipulated that a committee would be formed for the purpose of determining how to administer this fund. It was also stipulated, as I recollect, that failing agreement there would be arbitration upon it. They have not reached agreement, neither have we applied for arbitration; and the matter is in that position at the moment.

Mr. FISHER: You will continue putting the money in?

Mr. GORDON: We will continue putting the money into it and that raises a great deal of difficulty in retroactive payments.

Mr. PASCOE: On page four the report refers to controllable benefits. Page four talks about increased use of leased cars. I wonder if the new dome cars that are being put on are leased cars.

Mr. GORDON: No. Where is the reference to controllable expenses?

Mr. PASCOE: Under "Railway Operating Expenses" it is stated that the higher costs were partially offset by close attention to controllable expenses.

Mr. GORDON: Well, "controllable expenses" means those expenses that the management can actually control by insisting upon rigid forms of economy.

Mr. PASCOE: Such as?

Mr. GORDON: Well, almost everything in regard to the operation of the railway. We would make a close examination to see whether or not there was wasteful use of, let us say, fuel oil. It really means the close attention of management at all levels to eliminate waste in every way possible. It also affects labour content in respect of whether or not we have too many employees in relation to the work done; and that is another form of controllable expenditure. In our industry, the labour content is so high that we have to watch it with great care. The leased cars have nothing to do with domestic cars at all; they have to do with the use of foreign cars as they come into us from foreign railways, namely from the United States. We can use them under a formula basis and we pay so much per day. We make per diem payments when we use a car of a foreign railroad, and they pay us a per diem payment when they use our cars in the United States.

The CHAIRMAN: Mr. Kindt.

Mr. KINDT: May I call it six o'clock? May I put my question when we resume?

The CHAIRMAN: Is it on this topic?

Mr. KINDT: Yes, indeed; it is on capital expenditure.

The CHAIRMAN: The committee is adjourned until eight o'clock this evening.

## EVENING SITTING

TUESDAY, June 16, 1964.

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. LLOYD: Mr. Chairman, I indicated this afternoon that I would like briefly to follow up some questioning I undertook with respect to taxation. I referred Mr. Gordon to the report of the committee of inquiry into major ports of Great Britain, of September, 1962, and I made reference to that document. You mentioned, Mr. Gordon, that you were not aware of it. It contains some very sound enunciation of principles with respect to depreciation, of public facilities, and also with respect to taxation. I shall leave it at that. You expressed some interest in it. I believe you are interested in any new material. I wanted to put on the record the fact that I was referring to something specific, and not referring to a mythical report.

Now, I would like to turn to page 324 of the proceedings of this committee at our last session. Following some questioning by Mr. Balcer on the matter of exemption of the Bell Telephone and Telegraph lines, you were asked why

the railway company did not enjoy the same exemption as the Bell Telephone Company, and I interjected as follows:

Mr. Lloyd: The minister knows full well the repeated efforts we have made. I will try another minister, another opportunity, in another place. The more information you can provide before the next session at a committee of this kind on the incidence of municipal taxation to which you are exposed right throughout Canada in all forms, the better I would like it.

When I said that I would try another minister at another place I meant we were making representations through the Mayors' Federation to the National Harbours Board. Since that time a brief has been submitted dated February, 1964 to the Minister of Transport. On page 2 of that submission this statement is made:

Crown corporations, both proprietary and agency, are exempt from the provisions of the Municipal Grants Act. Such corporations have been authorized by cabinet directives to "work out fair and equitable agreements with the municipalities in which their properties are situated."

The C.B.C. and other crown corporations have voluntarily followed the universal policy established under the Municipal Grants Act. It is significant to note that the St. Lawrence Seaway Authority also makes grants in accordance with the procedures established under the Municipal Grants Act.

The C.B.C., you will notice is revenue deriving to some extent, and is also subsidized. The St. Lawrence Seaway Authority is a revenue financed authority and it is also deficit financed by the Canadian Government. So there is an analogy between these two crown agencies and the one which you head up.

Now, in seeking information about your policy with respect to taxation I was trying to find out if you followed any consistent municipal tax policy. By tabling a schedule, if you like, of the kind of liabilities that you have, the reasons for exemption, and the reasons for agreements, we might be able to establish a course which would produce some uniformity ultimately.

You said that this matter of local taxes it was left to the municipalities to protect themselves. You said you would not provide any information. Last year on page 324 I quote:

The more information you can provide before the next session at a committee of this kind on the incidence of municipal taxation to which you are exposed right throughout Canada in all forms, the better I would like it.

Mr. Gordon: We will certainly take a note of that, and I will study the thing a little more carefully.

I understand you have studied the matter and that after your study you have concluded that you do not want to give us any information. Is that your position still?

Mr. GORDON: I do not know what your question is.

Mr. LLOYD: My question was:

The more information you can provide before the next session at a committee of this kind on the incidence of municipal taxation to which you are exposed right throughout Canada in all forms, the better I would like it.

Mr. Gordon: We will certainly take a note of that, and I will study the thing a little more carefully.



You did not commit yourself to anything, but you said that you would study the matter. Did you make such a study?

Mr. GORDON: I think the point is pretty clear that our position is that we deal with taxation authorities in any particular area in accordance with the demands that are made upon us. I do not think this committee should be used as a forum for obtaining information on a basis of exposing every discussion that we might have with various types of local authorities affecting forms of taxation, because each place usually has something different from the other. It would not be possible to bring out the particular implications on a basis which would achieve what you call uniformity.

I think you used the expression that municipalities had to look after themselves. The reverse applies to the Canadian National Railways, which has to look after itself. The Canadian National Railways deals, in my belief, fairly and equitably with every taxation authority which has power to impose taxation upon us. It becomes a matter of discussion with the particular authority in terms of the local conditions. I think that is the way it should remain.

Mr. LLOYD: Would that still be your answer in the case of the Nova Scotian hotel in Halifax where the Lord Nelson hotel has no exemption, and you have initiated a taxation agreement with the city?

Mr. GORDON: Certainly that is a case in point. Whatever negotiations we have had with the city in Halifax have been made on the basis of knowledge to both sides of the discussions, and of what was involved. I would not be prepared to accept your general statement about the Lord Nelson without having the whole case exposed, because most certainly in the negotiations with the city of Halifax they have been based on the particular facts which arose in that case, and that is exactly what I mean. I do not think this committee should be used as a general forum in respect of discussions which might take place from time to time in regard any matter of local application.

The same thing applies in regard to court cases for example. These court cases should be dealt with on the evidence produced to the court. I shall have something more to say about this later, if the matter comes up. It should be based on the specific incidents of the case. That is why I am reluctant to attempt to produce the overall details of the incidence of taxation as it applies to every place in Canada. These things—the actual statements that may be made in the various places—are matters of public knowledge there but I do not think we can produce or we should produce the kind of information that I think you are seeking, because it means that one set of facts might be used to support an argument in regard to another set of facts where local incidents are quite different.

Mr. LLOYD: You cannot define a general policy with respect to municipal taxation?

Mr. GORDON: I can define it in this way.

Mr. LLOYD: You mean whoever is the smartest will get away with it. If you can get away with the least amount of taxation, you will try to do so.

Mr. GORDON: No, that is a rather harsh way to put it. I think that municipal authorities anywhere are quite as competent as we are to uphold the case of the municipality for any legitimate taxation. If we have a case to advance in respect of taxation, it is our duty to do so. We make a settlement of agreement with local authorities on that basis. So far we have not had much trouble, when we have reached agreements.

Mr. LLOYD: There was an extreme case of injustice in the maritimes some years ago. For many years the railway contended that the I.C.R., being an emanation of the province directly should therefore enjoy taxation exemption privileges under the British North America Act. But with respect to those companies which the Canadian National Railways had taken over and continued as legal entities, you continued to pay taxes on the property which was in the title of such companies. That was the argument presented to us after a very expensive search effort, after engaging auditors, engaging counsel, and taking it right to the courts, or taking it right to the threshold of a court case. The case was just about to be heard when the Department of Justice came in and said that the matter had better be settled out of court.

Now, one of the reasons for that action was the discovery that the railway had been paying taxes in the city of Toronto in direct violation of the explanation that had been given to us by its officers. I merely offer this to you to justify my curiosity.

Mr. GORDON: You see, Mr. Lloyd, that is why I think this discussion is quite unfair, because you are giving your version of a situation with which I may not agree. I am quite sure you are giving an honest version.

Mr. LLOYD: I was there during those negotiations while you were not. I am acquainting you with some history of which you do not possess the intimate knowledge that I do.

Mr. GORDON: All right, I am simply saying I am not prepared to accept your version. I would rather hear the version given to me by my own officials. Whenever there is a dispute about taxation, there are two sides to it. In the negotiations which take place a complete and final settlement is made, and all these considerations are taken into account. The essential fact is that the taxpayer under any circumstances anywhere under any conditions is quite entitled to take full advantage of what the law says.

Mr. LLOYD: Then you agree, Mr. Gordon, that instead of waiting for the railways to negotiate action to remove inequities in taxation a municipality should very vigorously pursue a course of action to correct the situation and adopt whatever remedy is available to it to correct the injustice?

Mr. GORDON: The municipal authorities under any circumstances have a duty, just as we have, to exact all the taxes they can legally collect from anyone.

Mr. LLOYD: So that in the case of this rule of 50 per cent on real property taxation in connection with the I.C.R., the only recommendation one can make to municipalities would be to pursue a correction of that remedy possibly with the Minister of Transport rather than with you, by legislation perhaps?

Mr. GORDON: I am not giving any legal advice. It is up to the municipal authority to take what ever action they think is right.

Mr. LLOYD: As a crown corporation you are different from other crown corporations including the C.B.C. and St. Lawrence Seaway in seeking fair and reasonable taxation agreements with municipalities, and you think the procedures followed by other corporations should not apply in principle to the Canadian National Railways; is that right?

Mr. GORDON: That is not what I said. You insist on making your own interpretation in regard to everything and I am not prepared to accept any interpretation you have made so far.

Mr. LLOYD: May we close our discussion on that point and state that each of us has our own interpretation in respect of these things?

Mr. GORDON: By all means.

Mr. LLOYD: Let me ask you one further general question. If you found a private hotel operation in a municipality in respect of which were paid full municipal taxes would you try to negotiate a tax agreement for a C.N.R. hotel proposed in that municipality.

Mr. GORDON: I am not prepared to answer any hypothetical questions. I will answer a question when the facts are stated, and will always do the best I can under the circumstances.

Mr. LLOYD: I should like to state for the record the case of the City of Halifax and the Canadian National Railways, the company indicated to the city it would not undertake to build an addition to the Nova Scotian hotel unless it reached a tax agreement. At that time the Lord Nelson hotel was paying full taxes on an assessment basis to the city of Halifax.

Mr. VAUGHAN: Is it not a fact that the management of the Lord Nelson hotel, if it was going to build an extension, had tax relief?

Mr. LLOYD: That was subsequently correct.

Mr. VAUGHAN: Yes, so the Nova Scotian hotel extension was in the same position as the extension to the Lord Nelson hotel.

Mr. LLOYD: Unfortunately it was not in the same position.

Mr. VAUGHAN: It was not completed but the principle was the same, was it not?

Mr. LLOYD: I think the situation would be different if what you say is correct.

Mr. VAUGHAN: Was the situation the same?

Mr. LLOYD: The situation was not the same and if it had been the same, Mr. Vaughan, you suggest that a fair and reasonable attitude on the part of the C.N.R. would be that which allowed you to follow the practice in respect of each municipality and that if a municipality was not granting exemptions to competitors of the C.N.R. you would not seek tax agreements?

Mr. VAUGHAN: I do not agree with that statement, no.

Mr. LLOYD: In other words, if you could get away with a tax agreement or exemption in Vancouver you would do so?

Mr. VAUGHAN: It takes two to make an agreement as you realize, Mr. Lloyd, the city of Halifax and the C.N.R.

Mr. LLOYD: Surely there is a slight difference between subsidies to the Canadian National Railways on deficit financing by the taxpayers of Canada and some other private agency? Surely there is some difference in the situation?

Mr. GORDON: There is no difference whatsoever. The Canadian National Railway is running its business and trying to run it on commercial principles. When there is any expense, which includes the question of taxation, we will employ exactly the same attitude as any private enterprise or corporation to resist the tax if and when we have a legal basis for doing so.

Mr. LLOYD: I appreciate your observations Mr. Gordon, but I cannot help but observe that the only recommendation I can make to the municipalities is to take heed of your observations, and employ every means in their power to see that you pay fair and equitable taxes which is not the case in respect of the Atlantic provinces.

Mr. GORDON: That is exactly what municipalities do in every case. I have never found a gleam of sympathy on the part of any taxing authority. If we make a bargain at any point, as we have, in regard to a hotel being constructed in a certain place on the basis of being granted an exemption from taxation, that represents a business deal. This does happen in respect of hotels in other



places, where by reason of an undertaking that we will build a hotel, we receive relief or adjustment in respect of taxation for a period of years; there is nothing unusual in that regard. That is the type of bargain which is made every day.

Mr. VAUGHAN: Taxing authorities give taxation relief to industry for certain periods of time.

Mr. GORDON: Of course they do.

Mr. LLOYD: It has become apparent that most crown corporations will seek the same relationship in respect of taxes in municipalities that private enterprise enjoy in those municipalities and if there is an exemption they seek it. However, in answer to a question I asked you last year you indicated that the C.N.R. did not seek an agreement with the city of Montreal.

Mr. GORDON: I did not say we did not seek an agreement. I said we did not come to an agreement.

Mr. LLOYD: Did you seek an agreement?

Mr. GORDON: I am not going to answer that question.

Mr. LLOYD: You are paying full taxation in Montreal, as you stated last year.

Mr. HORNER (*Acadia*): Mr. Chairman, before we conclude our discussion in respect of the paragraph dealing with railway operating revenues and subsidies received by railways under various acts of parliament, I should like to ask Mr. Gordon a question particularly in respect of the Crowsnest pass rates and subsidies outlined by the MacPherson commission regarding branch line abandonment. Do you think the railways are justified in asking for subsidies over a period of 15 years, as suggested by the MacPherson royal commission in respect of branch line abandonments?

Mr. GORDON: Yes, I do, indeed, on the basis which the commission has recommended. As I have said before, the situation is that the railways will apply for abandonment of a particular line and give in support of its application detailed information, which the board of transport insists upon. These applications are very, very detailed and difficult to make, and if the board hears that case and determines in its judgment that, in spite of the proof we have shown that a line should be abandoned, it should nevertheless be continued in the public interest, a subsidy, as I understand it, becomes payable. I use the board of transport here as an example because I understand there are further amendments in regard to who may sit in judgment of the branch line rationalization fund, but there will be a board of some form. Only when that board finds our application is justified, and there is reason for abandonment of a line because of alternative transportation facilities, will that board grant permission for abandonment, I presume. If they do not grant permission for abandonment of that line because public interest is greater than the loss sustained by the railways, it will then instruct the railway to continue the line and we then become entitled to a subsidy. That is the way I understand the recommendation of the commission which I hope will be incorporated in the legislation.

Mr. HORNER (*Acadia*): Perhaps I might direct one or two further questions to Mr. Gordon, Mr. Chairman.

You outlined very clearly that the MacPherson Royal Commission suggested that the \$22 million subsidy be granted on a proportionate basis to the Canadian Pacific Railway and the Canadian National Railways to compensate for the Crowsnest pass rates agreement. Could you indicate to the committee what your interpretation of the MacPherson royal Commission's recommendation is in regard to branch line abandonments over a period of 15 years?

Mr. GORDON: I do not think I can do that, but I should like to state that the figure mentioned by the MacPherson royal commission is, as I understand it, a maximum sum.

Mr. HORNER (*Acadia*): What is the maximum suggested?

Mr. GORDON: I think I mentioned the figures earlier.

Mr. VAUGHAN: Are you referring to branch lines, Mr. Horner?

Mr. HORNER (*Acadia*): Yes.

Mr. VAUGHAN: I think the MacPherson royal commission recommended \$13 million be divided.

Mr. HORNER (*Acadia*): That recommendation related to a 15 year period?

Mr. VAUGHAN: The recommendation related to \$13 million per year.

Mr. GORDON: You are referring to branch lines?

Mr. VAUGHAN: He is referring to branch lines, yes, and the figure of \$13 million per annum was to be allocated between the two railways in accordance with the formula set up.

Mr. HORNER (*Acadia*): I am just suggesting that in the future the \$22 million, split roughly in half, although the Canadian Pacific Railway handles more grain than the Canadian National Railways, and the \$13 million, could well be added to the total subsidies here, which is \$70 million.

Mr. GORDON: Oh, no; that is completely wrong. You see, when you look at the subsidies mentioned on page 3 you have to keep in mind that when the MacPherson commission recommendations go into force, the interim payments you see there, the \$29 million, will be eliminated at once as the \$50 million subsidy will be abolished.

Mr. HORNER (*Acadia*): The interim payments and what?

Mr. GORDON: The interim payment of \$29 million is our share and the total is \$50 million. That \$50 million interim payment will be cancelled; that comes out of the picture altogether. And then we get into the question of the freight rates reduction subsidy and, as I understand it there will be a transition period but eventually, in the course of a year or less, depending on the legislation, that freight rate reduction subsidy will also be cancelled because we will be free then to raise the rates as we think we can get the payment made under competitive conditions.

Mr. HORNER (*Acadia*): So, in a sense, if you were compensated in your own mind—you are compensated in my mind now—for the Crownest pass rates and the branch lines you still would have a deficit in 1963 of \$43 million or more.

Mr. GORDON: I do not follow that. Would you repeat your question.

Mr. HORNER (*Acadia*): You are suggesting when you are compensated for these services, the Crownest pass rates through the prairies and the branch lines which you have to put up with in the prairies, that this interim payment will be done away with and the freight rate subsidy will be done away with, namely \$29.1 million and \$10.1 million.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Will be done away with.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): This totals \$39.2 million. Do you suggest that in the MacPherson royal commission there are \$22.2 million suggested as compensation for the Crownsnest pass rate and \$13 million compensation for the branch lines.

Mr. GORDON: But, there is a passenger deficit subsidy recommended by the commission.

Mr. HORNER (*Acadia*): I am not dealing with that at the present time. This passenger thing is an item unto itself. I am dealing with the hauling of freight and the problems involved in that, and I am trying to arrive at this short fall, to use your own expression used earlier this afternoon, with regard to the depreciation write-off which should have been written off in the earlier years.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And, I am trying to judge it on this basis and to give you the benefit of the short fall.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): I am trying to give you the benefit of the Crownsnest pass rates.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And I am trying to give you the benefit of the branch line handicap, shall we say, and I am trying to arrive at an accurate accounting of this, if you follow me. I am trying to equate the management and employee efficiency to the spring of 1964 and I still see, after equating this in my mind, a deficit for 1964.

Mr. GORDON: Yes, if the recapitalization did not take place.

Mr. HORNER (*Acadia*): But, even with the recapitalization?

Mr. GORDON: Oh, no. Let me summarize it this way. If the MacPherson commission legislation went through, and nothing else, the nearest I could estimate—and I am making assumptions about the legislation—is that out of that legislation we would not benefit more than about \$10 million or \$12 million.

Mr. HORNER (*Acadia*): \$10 million or \$12 million?

Mr. GORDON: Yes, that is a guess. Therefore, with a deficit, as you see last year, of \$43 million, we still would have a deficit.

Mr. HORNER (*Acadia*): Of \$30 million?

Mr. GORDON: \$31 million, again making allowances for whether or not we have a better year and so on, but, using the 1963 figures. So, therefore, we must have a recapitalization.

Mr. HORNER (*Acadia*): And, that would do away with the \$31 million.

Mr. GORDON: Yes, if we get the recapitalization proposals as I presented them, then I have said in answer to other questions that this plus the MacPherson commission legislation should mean we would have a profit position. I am not prepared to say how much but I do say we would eliminate the deficit.

Mr. HORNER (*Acadia*): Well, the member's figuring from the Northwest Territories is always better than mine.

Mr. GORDON: Yes, he is figuring.

Mr. HORNER (*Acadia*): And, mine is not that far out that I cannot arrive at a relatively close figure as to what you are assuming the government should write off or assume. I should not have used the words "write off".

To follow up on this question of branch lines and branch line abandonments, many of which are contemplated in my constituency, it is a fact that many of my constituents ask me how this is figured out. Are grain shipments arriving at, let us say, point A credited with actually being shipped from point A or are they credited with being shipped from the main line? Do you follow my thinking in this regard?

Mr. GORDON: Yes, but you are getting pretty deeply into the business of cost accounting.



Mr. HORNER (*Acadia*): But, this is the very place in which many constituents say to me: "the C.N.R. bring their books to the hearings and who can dispute their books; they have the figures, we have not".

Mr. GORDON: Well, there have been representatives of the provinces, one of whom is a very distinguished member and is in this room, who have made damn certain that the figures produced by the railways have been subjected to very close scrutiny, and he has done it very effectively, I will tell you.

Mr. HORNER (*Acadia*): I would not want to discredit his reputation in regard to ensuring that these figures are accurately presented. But, can you answer this question with regard to branch lines. Say, we have a branch line off the main line?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Or, relatively speaking, a main line.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Say, there are 19 cars of grain shipped this week from point A on the branch line; are those 19 cars credited as revenue from point A on the branch line?

Mr. GORDON: Yes. The branch line will be credited with any form of revenue it produces.

Mr. HORNER (*Acadia*): I often have appeared on behalf of community elevator agents on branch lines, and so on, in my constituency and time and again railways have presented figures which have told a story of relatively no income from point A and time and time again the elevator agent says, "I have shipped X number of cars from this point; the revenue should be designated as arriving at this point", and the railway representative says, "Oh, no, this is credited to the whole main line and we cannot charge this up, if it was not delivered at point A it would be delivered to point B on the main line, and we will get the grain anyway".

Mr. GORDON: The board makes a careful analysis of that. Here are the factors. The board of transport commissioners, in reaching a decision on an abandonment case is governed by this rule, which I will read—and they have stated this many many times: "The issue in each case resolves itself into a question of whether the loss and inconvenience to the public consequent on the abandonment outweigh the burden that continued operation of the railway line involved would impose on the railway company". These are the factors which the board require us to take into account, and I think I might just as well tell you what they are, as they require this information from us. First, the system revenues from branch line traffic; second, system of voidable expenses of branch line operations; third, estimated savings to railway from abandonments; fourth, trend in traffic pattern; fifth, relationship between year under study and an average year particularly for lines in western Canada where traffic is predominantly grain; sixth, present train service, type and volume of traffic; seventh, alternative services for freight, passenger, mail and express, both summer and winter; eighth, distance between stations and line to be abandoned and stations on alternate lines or to alternate services; ninth, population in the area served by the line and the population trend, increasing or decreasing; tenth, productivity of the area and its potential for future growth or new industries; eleventh, effect of abandonment on railway employees; twelfth, effect of abandonment on freight rates and over-all transportation; thirteenth, effect on local merchants; fourteenth, effect on property values, taxes, etc.

The whole thing ends up with the word "etc.". Therefore, the board can and does inquire into any possible question affecting the validity or otherwise of the application for abandonment. As you know, any witness with any interest along that line has a right to be heard when that abandonment case is to be considered.

Mr. HORNER (*Acadia*): I have one question with regard to the list of 14 criteria. Am I to assume that the board of transport commissioners and the railroad accept that list in that order of importance?

Mr. GORDON: Accept what? These items?

Mr. HORNER (*Acadia*): The 14 items.

Mr. GORDON: No, these are questions which we have to answer and they are weighed and judged by the Board of Transport Commissioners.

Mr. HORNER (*Acadia*): Are they weighed and judged in the order in which you read them out?

Mr. GORDON: I do not know; that is the board of transport commissioners' decision, not ours. We give the information.

Mr. HORNER (*Acadia*): On those 14 points?

Mr. GORDON: On those 14 points, yes.

Mr. HORNER (*Acadia*): Are they used by you or the board?

Mr. GORDON: By the board. We present the facts as best we can in regard to these questions.

Mr. HORNER (*Acadia*): But am I to assume that you feel the board of transport commissioners take them in that order of importance?

Mr. GORDON: I do not know. I have no way of knowing how the court weighs its judgment.

Mr. HORNER (*Acadia*): The way in which you read them out led me to feel—I could not help but feel—that this was the way in which you interpreted them when presenting your case in regard to their importance.

Mr. GORDON: Really, I do not know that we are going very far by discussing a hypothetical case because, after all, it gets down to the practical case and we reach a judgment in regard to a specific branch line and we apply for abandonment on the basis of the facts as we see them. Then we answer all the questions that the board may want us to answer in order to determine the validity or otherwise of our application.

Under the MacPherson royal commission report—and I keep on repeating this—it is important to recognize that our application for abandonment, even if agreed by the board as being a good case, is not necessarily conclusive because under the legislation as it will come out, and as I understand it, there is a further step taken by whatever the branch line rationalization body will be. I understand in the case of western Canada it is now under the Minister of Agriculture. If the board, body or group finds that nevertheless it is regarded in the public interest in western Canada in the particular area that that line should continue, then we become entitled to a subsidy, a subsidy based on the loss which we have been able to establish in the operation of that particular line. That is where this figure comes from.

Mr. HORNER (*Acadia*): In regard to the branch line subsidy, Mr. Chairman, I have a further question.

You have outlined, Mr. Gordon, very fully the facts with regard to your branch line approach. How many years, would you say, according to the cost accounting in Canadian National Railways, would a branch line have to be operating at a loss before you would apply for abandonment of this line to the board of transport commissioners?

Mr. GORDON: I do not think I can answer that specifically. It is a matter of judgment at the time. We keep these lines under observation as much as possible. At some point our local officials arrive at the conclusion that this line should be studied.

Mr. HORNER (*Acadia*): Certainly not one year?

Mr. GORDON: No, certainly not.

Mr. HORNER (*Acadia*): Not two?

Mr. GORDON: No.

Mr. HORNER (*Acadia*): Not three either?

Mr. GORDON: This becomes a matter for our local officials. They see the day to day operation of the line and in due course they reach a conclusion that there is not much traffic on that line and that we should look at it. Then they put in force a study of the line. It is not done overnight. We study many many cases in which we decide not to ask for abandonment. But somewhere along the period of time a line becomes suspect in the eyes of the operating officials and they report that a study should be made.

Mr. HORNER (*Acadia*): But you could not give the committee any idea—and I ask this bearing in mind that this was a very pertinent question studied by the MacPherson royal commission and a very pertinent question for this committee, bearing in mind that something like 1,000 miles of rail line are to be abandoned, according to Canadian National Railways, in the province of Saskatchewan—you could not give the committee some idea of how many years a line must operate in deficit, in your opinion, before you appraise it as such and abandon it?

Mr. GORDON: I do not think it is a matter of years, is it, Mr. Demcoe? It is a matter of the circumstances. We might very well let a line run on for years because we would think that what it amounts to is not worth while surveying, but we might regard it as a marginal case. At some point in our operations a line becomes suspect in the matter of the traffic it is handling and then the local officials will proceed to make a study of that and if they arrive at the conclusion that this is worth a major study, they will recommend that this be put through the machinery.

Mr. HORNER (*Acadia*): I have a couple of more questions if you will just bear with me, Mr. Chairman.

I would like to point out to you and the committee that during the late thirties the line on which I happened to live, which is a 70 mile branch line, was proposed by Canadian National Railways to be abandoned, yet today it is the best paying line in the Calgary subdivision. It is the best paying line with possibly two trains a week. This goes to re-enforce the point I was trying to make that we must have a period of years in which to decide that a line is not paying. We cannot have one, two or three years; we must have five, six or maybe even seven, ten or twelve years before a line is properly abandoned.

My further question with regard to branch line abandonment is this. What and where is the breaking point between abandoning a line and, say, just going up the line once a month with, say, 20 grain cars or whatever the line happens to need? Where is the breaking point in the operations of that branch line? Let us say, for example, Mr. Gordon, that we have a line 20 miles long or 30 miles long and which will move something like 20 or 30 box cars a month—I am just saying this for the general information of the committee and the provinces of the prairies—would that line then be considered economic if it operated 30 cars a month?



Mr. GORDON: I do not think you can really base it on that specific sort of thing. It would be very simple if we could do that. Our policy is that when we examine a line for the purpose of determining whether to abandon it because of thin traffic density, we have three major things in mind. First, we establish that the continued operation of the line itself is uneconomic. In that examination we take account of every operation on the line. Second, we decide that there is no apparent potential for improvement in the foreseeable future; and that is a matter of judgment. We are not always right, as you have pointed out. Third, we have to demonstrate that there are adequate alternative facilities available to handle the traffic in that particular area.

Unless we can decide those three things in our mind, we will not start looking at the abandonment of a line.

Mr. HORNER (*Acadia*): There were a couple of lines which were abandoned in the last couple of years in my constituency. I am not going to bring them into this, but my constituency has asked me time and again why our elevators could not be left and our railroad and why a train could not be run up there once a month or once every three weeks, as they were doing in one particular instance, taking out 19 or 20 box cars, relatively speaking a car a day, and just making the one trip up there?

Mr. GORDON: It is not as simple as that. You cannot just leave a railway line and figure that you are going to run a car or a train up the line once a month. You have to figure on the subject of safety and maintenance and so forth.

It costs just as much to maintain a line to run a train once a month, as it does to maintain it in good shape.

Mr. HORNER (*Acadia*): I disagree. There was a line left in my constituency for 20 years. There were gates across the railroad, and they ran a train once a month or once a year to take out the grain. It did not cost the railroad two cents to maintain that line.

Mr. GORDON: There is an upkeep cost.

Mr. HORNER (*Acadia*): I am not disputing that fact but I am trying to find out where the breaking point is, is it 20 cars a month, 10 cars a month, 30 cars a month on 20 miles, or could you give the committee, and myself particularly, some idea on where the breaking point is?

Mr. GORDON: That will depend entirely on the examination made by the board of transport commissioners. We will show the figures on the revenues we are making on the line, and what the expenses are. We will try to tell them anything about the potential of the line, and then the board has to make the judgment.

Mr. HORNER (*Acadia*): I have one further question pertaining to branch line abandonment. We both know the cost of moving grain. You know it better than I on rail, I know it better than you perhaps on road. Maybe I am assuming a lot here.

Mr. GORDON: I did not know I knew it better than you on rail.

Mr. FISHER: My friend here says C.N.R. is very wealthy.

Mr. HORNER (*Acadia*): I hear a snide remark from my friend here who would like to do away with the Crowsnest pass rates, but I have the Minister of Transport on my side. We are both stoutly defending them, and he and the president will be defeated in any move towards doing away with the Crowsnest pass rates.

Here is my question—I was sadly side-tracked.

The CHAIRMAN: Order, order.

Mr. HORNER (*Acadia*): I have a question with regard to the movement of grain. This is actually what we are concerned with. It would cost a farmer moving grain over 25 miles by truck up to nine cents per bushel. I say, and there may be farmers here who may correct me, this is a breaking point. I say that the railroad can well maintain many branch lines and move grain at less than that just by going in there once a month and taking that grain out in 19 or 20 car shipments.

Mr. GORDON: This becomes a question of fact.

Mr. HORNER (*Acadia*): I agree, and this is why I am getting down to facts.

Mr. GORDON: Remember this, that the problem of moving grain in western Canada is no longer a problem only for the railways. This whole question of the rationalization of the movement of grain is a much bigger question than merely the question of the railways. That is what I have been advocating all along, that the communities have to get together. A solution must be found which includes all the interested parties, the grain growers, the grain elevators, the provinces and municipalities, everybody concerned in it, not only the railways. However, so far all the emphasis has been placed simply on the fact that the railways have been handling grain under a specific condition. I am suggesting to you—and I am getting a little wide off the field now—that under certain circumstances it is not in your interest as a grain grower to have the railway move your grain.

Mr. HORNER (*Acadia*): If it is going to do it cheaper than I can do it, it is in my interest.

Mr. GORDON: You can get a proper rationalization of the transportation problem involved in moving grain, and it does not necessarily follow that the present network of railway lines is the most efficient system. I am quite prepared to say that it is not. This railway branch line actually grew up in the days of the horse and buggy. Let me suggest to you that it is not applicable to modern conditions, and the sooner everyone involved in this thing will recognize that this is a problem for all the interests concerned, and not only the railways, the better it will be for the western farmer.

Mr. HORNER (*Acadia*): Yes, but may I pursue this further, Mr. Chairman? While I do not want to absorb all the committee's time with branch line abandonment, it is very important in the prairies today, and in fact in all of Canada. For example, in my constituency last year, or the years before, there were nine miles of branch lines with four elevators, with roughly one storage in those four elevators of say over 300,000 bushels of grain. Now, that 300,000 bushels of grain could be moved by a once a month movement on the part of the railroad over those nine miles, or it could be moved by the farmers. There was the question of who was going to move it the cheapest. This is what it boils down to. I maintain that the municipal roads had been built over the years into that point, not down that railroad to the main line. The main roads were built into that point, not down to the main line. I maintain that the railroad could continue to run a train up there once a month and move those 300,000 bushels of grain cheaper than the farmers could, far cheaper.

Mr. GORDON: That does not necessarily mean that it is the best solution. It may be part of the solution, as you referred to it, but with a proper rationalization of the grain collection system for transport my opinion is we can do far better for the farmer than has been done on all the branch lines you have on the railway.

Mr. HORNER (*Acadia*): How?

Mr. GORDON: There are many ways of doing it, for instance modernize our thinking in regard to moving grain.

Mr. KORCHINSKI: How?



Mr. HORNER (*Acadia*): I was at an elevator opening the other day and we had a truck there.

Mr. GORDON: I will send you a copy of my Winnipeg speech three years ago.

Mr. HORNER (*Acadia*): In which you blamed everything on branch line abandonment and the Crowsnest pass rates.

Mr. GORDON: I beg your pardon, I did no such thing.

Mr. HORNER (*Acadia*): You said that if we do away with branch line abandonment, we can move grain on Crowsnest pass rates.

Mr. GORDON: No such thing. I made the finest, most statesman-like speech about moving grain that has ever been made in this country.

Mr. KORCHINSKI: Who wrote it?

Mr. GORDON: I will see you get a copy. It is one of the few speeches I wrote myself.

Mr. HORNER (*Acadia*): But I do think that the railroads—and I am going to leave this as my parting remark and my parting question, Mr. Chairman; you have been very patient with me in this regard—can continue to move grain on branch lines by once a month shipments, not by complete abandonment. They have the tracks laid down. In most cases the track is a light track, and if you disagree with me please say so. The track is laid down already and the grain can be moved from elevators which have a capital build-up of anywhere in the neighbourhood of \$100,000, \$500,000, \$600,000 or even a million dollars in the grain company elevator build-up. If the railways maintain the branch line and once a month shipments, they also maintain the economic community point, the elevator build-up, the capitalization of elevator build-up, and they move the grain as cheaply as or cheaper than the farmers can in custom trucks or their own trucks.

Mr. COOPER: My question has very nearly been answered. We have all got a list of proposed branch abandonments—who decides this and how is it decided? Is it decided by somebody with a lot of figures in front of him who says, "This line does not pay, we will take this out"?

Mr. GORDON: The applications for abandonment are made by the railway to the board of transport commissioners. The board of transport commissioners then sit in judgment on the application, and all the interested parties in connection with any abandonment are notified by the board of transport commissioners, and they have an opportunity of making the case before the board. That is the way it is handled.

Mr. COOPER: On one short branch line in my constituency—and there are nine lines proposed—over a distance of about 35 or 40 miles, they haul the grain out to the main line. Now, is it fair that that branch line is charged with the grain all the way into the city yards when it is trained up at a small town on the main line?

Mr. GORDON: These are the sort of representations that would be considered by the Board of Transport Commissioners when they are weighing the application.

Mr. COOPER: It has been said that there are some elevator companies which are going to leave their elevators there and take in grain. They are not going to haul that grain to a delivery point free of charge. Is that not going to interfere with the Crowsnest pass rates, and we have to pay extra from that elevator where you have your tracks rolled out to the main line?

Mr. GORDON: As I said before, this whole question of handling grain has to be examined as a global problem, and not only the part of it that affects the



railway. I have told Mr. Horner this and I repeat that the only way to get this problem solved, and the way that is for the best interest of the farmer, is to see that all the interested parties play a part in this.

I am going to suggest to you, and I think you will agree, that all elevators are not in the right places. Some are too small, Some are not operated efficiently. I know I will get into trouble in western Canada as soon as I say this, but I am perfectly certain that it is so. I am certain that in a rationalization program where all the parties do the job, you can have a better system than the one which is operating today. If you have elevators which are operated more efficiently, and if they are better located, this would be the case. You have to get all the facets of the problem considered and the best way to approach it is to have a co-ordinated program in which all the parties co-operate for their best interest. It is quite wrong and shortsighted to concentrate attention solely on the branch line problem. It is a much bigger problem than that.

Mr. COOPER: Will there be a committee set up, before branch line abandonment takes place, to study all these matters?

Mr. GORDON: I cannot assure you of that. I understood the Minister of Transport to say before the house on May 12 as follows:

That it is expedient to introduce a measure to authorize the implementation of certain recommendations of the Royal Commission on Transportation with respect to the rationalization of branch lines of railways and passenger train services and the fixing of freight rates under and consistent with a national transportation policy suited to modern transportation conditions.

He outlined in detail the government policy in that respect. I am not making government policy, believe it or not.

Mr. COOPER: I suppose that this committee would be set up as one other railway medium. I wondered if this would be the way it would be handled?

Mr. GORDON: The resolution says:

That it is expedient to introduce a measure to authorize the implementation of certain recommendations of the royal commission on transportation with respect to the rationalization of branch lines of railways and passenger train services and the fixing of freight rates under and consistent with a national transportation policy suited to modern transportation conditions.

I suggest that you read this resolution because it goes on in detail and says what is intended to be done. I can only say that I hope this comes to pass. I do not know.

Mr. COOPER: Let me tell you that non railway abandonment in western Canada, in Saskatchewan, Alberta and Manitoba is very, very essential to the way or mode of life in our agricultural industry.

Mr. KORCHINSKI: Mr. Gordon, I wonder if you could tell us whether the recapitalization which you propose is going to have any effect whatsoever on rail line abandonment?

Mr. GORDON: No, I would think not. I do not think it has any bearing on the subject at all.

Mr. KORCHINSKI: There would be no structure there which might affect the amount of interest which might be payable, and so on?

Mr. GORDON: No, because I am pinning our proposals, as I have said, on a basis to demonstrate the short fall in depreciation. That is the yardstick. If we are able to convince the government that that is the proper way to approach it; and that is the effect of it relevant to depreciation, it will depend on those figures and not on anything else.

Mr. KORCHINSKI: In considering whether or not you abandon a line, do you consider all the freight that is picked up by any other carrier in the area?

Mr. GORDON: Yes, the branch line is credited with every possible item of revenue that can be attributed to it.

Mr. KORCHINSKI: I am not talking about any freight which is carried by the railways, but by other carriers, not necessarily operated by the Canadian National, such as by trucks which are privately owned, and that sort of thing. I mean freight which they might carry out to a central point. Are you taking all this into account?

Mr. GORDON: No, we only take account of what goes over our railway.

Mr. KORCHINSKI: So there is a potential outside of freight which is carried by the Canadian National?

Mr. GORDON: I am afraid I do not follow you.

Mr. KORCHINSKI: If a private trucker goes in, and with his rates he is able to pick up freight from a certain locality and transport it, that is, freight which might normally be carried by Canadian National lines, by railway lines rather than by their trucking system, that freight is not taken into account in connection with your potential freight?

Mr. GORDON: No; on the contrary, we may be able to demonstrate that the other method of transportation can handle that freight more economically than the railways can handle it.

Mr. KORCHINSKI: There is another consideration to it then, because of your approach to the whole subject. You would be losing this freight because in some instances you may determine to abandon a line and then set up a rate at such a level that it is easier for another carrier to go in and take away the business, whereupon you can go and complain to the board of transport commissioners that you are losing freight, when it is just because some other carrier is taking it away.

Mr. GORDON: The freight rates with regard to grain are set by legislation, not by the railway.

Mr. KORCHINSKI: Grain is only one item. There are other items which you must take into account. I am thinking of what happened to your passenger carriage when you introduced another system.

Mr. GORDON: Without getting back to the question of the service, and discussing competition, if we were free in regard to making freight rates, as recommended by the royal commission on transportation, we could adjust our rates on the basis of competition. As it is now we have to demonstrate the method and prove that they will be on a compensatory basis. We are prohibited from quoting rates which will be below our actual variable costs, or whatever the term is.

Mr. KORCHINSKI: It seems rather odd that some private carrier can operate when the Canadian National cannot.

Mr. GORDON: I do not know what case you have in mind.

Mr. KORCHINSKI: There are many other carriers besides the Canadian National.

Mr. GORDON: Yes, and if those other carriers can do it on a better basis than we can, my attitude is that they should do so. The shipper is entitled to get the best kind of transportation at the cheapest price he can get it. That is what the MacPherson commission was all about. Competition will set the rate.

Mr. KORCHINSKI: If the competitor of the Canadian National can carry it, why cannot the Canadian National, and at the same time also maintain a line in a particular area?

Mr. GORDON: I would have to analyse the rate quoted by the competitor to find out if he is using good business judgment in it. He may be going broke. I do not know.

Mr. KORCHINSKI: I shall leave that point. Now, when you consider abandonment of a line, do you sell that line? What steps do you take? Do you leave the line in for a while, or just sell it, or what?

Mr. GORDON: It would depend on circumstances again. Normally if we have reached an agreement and receive permission to abandon a line, we would abandon it, and tear up the tracks.

Mr. KORCHINSKI: As soon as you have received permission to abandon a particular line?

Mr. GORDON: Yes.

Mr. KORCHINSKI: What happens to the right of way?

Mr. GORDON: It depends on circumstances. If it is available for sale, we may turn it over to some province for a road, or to some municipality when it is no longer needed for railway purposes.

Mr. KORCHINSKI: Have you considered leasing a particular line without disposing of the property, or taking away the rails, or tearing up the track? Would you consider either selling or leasing it to an interested group of people?

Mr. GORDON: Yes.

Mr. KORCHINSKI: In order that they might maintain it?

Mr. GORDON: Yes, we would consider any deal.

Mr. KORCHINSKI: But you have never had occasion to?

Mr. GORDON: Just a minute. You are talking about an abandoned line now?

Mr. KORCHINSKI: A line you may have abandoned, yes.

Mr. GORDON: You are talking about leasing it to a railway?

Mr. KORCHINSKI: No.

Mr. GORDON: If we have a line, and there are tracks, ties, and ballast on it, and that line is abandoned, we will lease it to anybody who is interested in making an effort to take it over on any basis he likes.

Mr. KORCHINSKI: Would you consider the freight which is hauled? I think that is the point made by Mr. Horner. I do not know whether I was exactly clear on it or not. When for example one thousand pounds of freight originates at Timbuktu on a branch line is the total amount of revenue derived from the carrying of that thousand pounds of freight credited to that particular branch line or is it credited with only a portion? If that freight was hauled one thousand miles would the branch line, which was only 100 miles in length, be credited with one tenth of the revenue?

Mr. GORDON: Any traffic that is attributable to the branch line is credited to it.

Mr. KORCHINSKI: The total revenue would be credited to the branch line; is that right?

Mr. GORDON: If it can be shown that the traffic would not otherwise have existed it would then be credited to the branch line.

Mr. VAUGHAN: I think what you have in mind, sir, is the situation which exists when a branch line is perhaps 100 miles in length and the traffic originates at a ten mile point and would we credit that branch line with the entire traffic; is that right?

Mr. KORCHINSKI: Yes, only I used the figure of 100 miles but you might carry the freight over one thousand miles of line.



Mr. HORNER (*Acadia*): You could perhaps carry the freight two thousand miles, or 1,300 miles to Fort William.

Mr. GORDON: Mr. Toole will answer that particular question from an accounting point of view. I am not sure of the answer.

Mr. TOOLE: Any revenue derived from traffic which originates on a branch line and moves off that branch line is proportionately credited to that branch line. The same situation applies in reverse. The branch line gets a proportion of the revenue from traffic which moves off the main line on to the branch line.

Mr. HORNER (*Acadia*): That is the very point I was trying to establish earlier when Mr. Gordon assured me that the branch line received credit for the shipment. We are now hearing a different story. We are now being told that the branch line receives only a proportion of the credit.

Mr. GORDON: I said that a branch line received credit for traffic attributable to that branch line.

Mr. HORNER (*Acadia*): I do not remember the use of the word "attributable" but I will look it up when we receive our copy of the Minutes of Proceedings and Evidence.

Mr. GORDON: You have a pretty good *Hansard* staff in attendance here.

Mr. HORNER (*Acadia*): The point I am trying to make, and I am sure this is the same point referred to by the member for Mackenzie, is that in respect of a branch line 20 miles long from commencement to the main line, from which point the distance is 1,300 or 1,400 miles to Fort William, for example, it will only receive credit to the extent of 20 over 1,400; is that correct?

Mr. GORDON: No.

Mr. HORNER (*Acadia*): That is the situation which I am trying to clarify.

Mr. GORDON: This is the type of technical thing that is completely hopeless to attempt to discuss without having the benefit of proper experts in attendance. This involves a cost accounting matter and I do not profess to be an expert on cost accounting. All I can tell you is that the formula has been well worked out on many, many occasions by the board of transport, and that formula states that on the basis of reasonableness all traffic attributable to a branch line is credited to that branch line. I do not have the details in this regard. Do you know the proportion?

Mr. TOOLE: I do not know the formula.

Mr. GORDON: We will obtain the cost accounting formula and pass it on to you. There is a formula which has stood up to tests in this regard over the years.

Mr. HORNER (*Acadia*): You say you will give us information in respect of that formula and I am interested in knowing when we will receive that information. Can we have that information tomorrow?

Mr. GORDON: If I can get home and get some sleep, get up in time to have breakfast and make a telephone call I will try to get it for you tomorrow.

Mr. HORNER (*Acadia*): Can we have that information by tomorrow afternoon?

Mr. GORDON: We might get that information tonight if you want to come around to my hotel room about 12 o'clock.

Mr. HORNER (*Acadia*): I will be in bed at 12 o'clock.

The CHAIRMAN: Order. Let us proceed with our questions.

Mr. PRITTIE: Mr. Chairman, on a point of order; now that we are involved in the discussion of branch lines and abandonments perhaps we should hear questions of other members in respect of this subject before proceeding to another subject.

Mr. HORNER (*Acadia*): This subject is dealt with under railway operating revenue and subsidies, referred to at page 3 and my question is certainly in order.

Mr. PRITTIE: For heaven's sake, if the member will be quiet for one moment until I finish what I am saying he will realize what I am suggesting.

Mr. HORNER (*Acadia*): I am not going to be called out of order by someone who thinks he knows something about order.

Mr. PRITTIE: We are now discussing a specific subject, Mr. Chairman, and I was only suggesting that we continue discussing this subject before moving to a consideration of another subject.

Mr. HORNER (*Acadia*): I am in agreement with you, Mr. Prittie.

The CHAIRMAN: At the beginning of our discussions, Mr. Prittie, I think they related to the financial report and operating revenues although we did get involved in discussions regarding specific cases. As the discussion continued I gained the impression that members of the committee were disposed to allowing our good friends from the west to finish their questions in respect of branch lines.

Mr. KORCHINSKI: We will discuss this subject completely sooner or later.

Mr. FISHER: Tomorrow there will be half a dozen more of them here.

The CHAIRMAN: Our discussion was perhaps in respect of specific lines but let us complete our questions in respect of these branch line abandonments. I think Mr. Korchinski has a few further questions to ask, and he will be followed by Mr. Pascoe.

Mr. KORCHINSKI: In view of the fact you apportion a certain amount of the revenue derived from the movement of freight to branch lines, do you not think the loss of that business to the branch line will represent a loss to the main lines following abandonment?

Mr. GORDON: All those factors are taken into account during the investigation which is made.

Mr. KORCHINSKI: I am suggesting that if another carrier decides to handle the freight normally carried by branch lines, following the abandonment of that branch line, to carry that freight over the 20 mile long branch line and an additional 25 miles to the destination the branch line will not be credited with this revenue at all and there will be an effect on your over-all operations; is that right?

Mr. GORDON: Yes, and that factor is taken into account when we apply for the abandonment of a branch line. Certainly when we abandon a line we know perfectly well that, to the extent there is revenue, the revenue is foregone. That is not the main point for consideration. Is the branch line showing a net return? That is the question which must be answered; perhaps the branch line does produce revenue, but that revenue is of little value unless it is net revenue.

Mr. KORCHINSKI: If a branch line is not showing a net revenue and you continue to lose the freight business because of the procedures you follow in respect of abandoning these lines you lose that freight in respect of your main lines and eventually your main lines will not show a net return either.



Mr. GORDON: The effects of an abandonment are fully covered in the analysis that is made in respect of the abandonment of the line. We take account of the full effect of the abandonment of a line as a result of the formula that has been set up.

Mr. KORCHINSKI: If the company contends that it is impossible to haul grain over branch lines under existing rates, surely the haulage of that grain over an additional 12 miles would not make much difference to the over-all operations, would it?

Mr. GORDON: I really must say that I am about at the end of my tether.

Mr. KORCHINSKI: Let us hear what you have to say.

Mr. GORDON: I suggest to you that you must give the railway officials credit for knowing something about their business. Surely you must accept my word when I say an analysis is made in respect of the net effect of the abandonment of any line, and complete account is taken of all the factors to which you have referred. Believe it or not, we are not stupid.

Mr. KORCHINSKI: There was no suggestion to that effect. I do not know why there should even be that interpretation placed on my remarks.

Mr. GORDON: If we were overlooking the factors to which you have made reference we would be stupid.

Mr. KORCHINSKI: Are we permitted to ask you questions at all?

Mr. GORDON: I am sorry if I have said something to offend you. Things are not too easy for me either so let us just smile at each other rather than getting a little hot under the collar.

Do we have one of those forms we fill out stating the particulars in respect of an application to abandon a branch line?

Mr. VAUGHAN: No.

Mr. GORDON: Let us obtain one of those forms for presentation tomorrow so that we can indicate the information that is required. I am perfectly willing to disclose the whole situation, and I am sure you will understand the kind of analysis that is made as a result of a reference to the form to which I have referred.

We prepare an analysis on that form which has survived many expeditions before the board of transport commissioners. I think such a form will indicate better than I could the kind of detail we go into in order to provide information to the board of transport. There is no condition or situation one could possibly think of that has not been taken into account in respect of this information provided to the board of transport commissioners. I am sorry if I was a little fed up.

Mr. KORCHINSKI: You did not offend me.

Mr. GORDON: I am tired, that is all.

Mr. KORCHINSKI: I have one further question to ask. You stated in one of the speeches you made in Winnipeg that there were several methods by which you could modernize. Could you indicate the methods you had in mind?

Mr. GORDON: I would much rather table that speech.

Mr. FISHER: I think the *Western Producer* printed practically the whole speech.

Mr. GORDON: I will produce the speech. It would be much easier for me to do that than repeat those suggestions.

Mr. KORCHINSKI: I was just wondering what other methods you had so we could compare these with the method we have for transporting grain.

Mr. GORDON: That is quite all right, Mr. Korchinski; I will arrange to have a copy of this. I do not suppose anyone thought to bring one with them.



Mr. VAUGHAN: We have it here.

Mr. GORDON: We will get a copy of the Winnipeg speech. I will get that and have it available for you tomorrow. I do not want to try to recollect isolated factors as it is all part of a co-ordinated program.

Mr. PASCOE: Mr. Chairman, I am not going to pursue the branch lines on which we already have had a good discussion. However, I have one question which, you might think, is a hypothetical one.

You refer here in your financial review to the above normal demands for rail services and handling the second highest volume of rail business, and I think this pretty well ties up with the movement of grain.

Did the railway acquire extra rolling stock to handle this grain and are the operations of the railway now geared to handling this large movement of wheat each year? In other words, if wheat movement went down a bit what would be the situation?

Mr. GORDON: If you will turn to page 31 you will see a breakdown of the main classifications of where an increase in tonnage took place. These are broad classifications and we can break them down in much more detail. But, if you would look at the bottom of page 31 you will find agricultural products increased by 2,488,688 tons. At the bottom you will find manufactured and miscellaneous went up 2,250,533 tons. You will find mine products went up 906,732 tons and forest products went up 239,054 tons. In agricultural products you would find probably the majority of that is grain. But, nevertheless, there were considerable increases in other forms of traffic as well. I said in my report here at page 15:

It was significant that this volume of business was handled at an unparalleled level of efficiency. For example, the 40.2 billion revenue ton miles carried in 1963 was surpassed only by the 41.9 billion carried in 1956; the 1963 traffic, however, was handled with 13,000 fewer pieces of freight equipment than required in 1956, mainly because of improved car utilization and distribution techniques.

Now, following through from that I am saying we are now organized on such a basis that we will take care of any volume of traffic that may be suddenly thrown to us and we are prepared to provide services. If it turns out to be traffic that is continuous, then we will make provision for it in due course by ordering further equipment. But, of course, we can take care of a short peak, and that is the way we are organized. We can do many many things today that we could not do before. We find much more flexibility, for instance, in our diesel operation and the various control techniques we have worked out for the distribution of our cars. We have handled about the biggest load in history with 13,000 fewer cars than the previous record.

Mr. PASCOE: So, if there was a reduction in the movement of wheat next year it would not affect the railway company in regard to reduction of services and operation?

Mr. GORDON: Did you say a reduction of wheat movement?

Mr. PASCOE: Yes, if there was a lower movement of wheat.

Mr. GORDON: If there was a lower movement of wheat certainly we would have more equipment available. Would we not?

Mr. PASCOE: Yes, but would you cut down on your personnel or anything like that?

Mr. GORDON: Of course, our personnel and employee staff is dependent upon the volume of traffic used. Our need for labour will fluctuate, and I mean by that all kinds will fluctuate in accordance with traffic.

Mr. HORNER (*Acadia*): I have one brief question in respect of railway operating revenues and subsidies in a follow-up on the branch line question.

It is a well established fact, Mr. Gordon, that you are now operating trucks to contribute to a feeder line system of the C.N.R. Am I right in that assumption?

Mr. GORDON: I am just conferring here a minute because the question of trucking is a very sensitive question on which I want to make a statement, and I am wondering whether or not I should make that statement now.

Mr. HORNER (*Acadia*): I am not interested in trucking at this point; I want to get on with the railways. But, I just want to establish the fact that the trucks are in a sense operating as a feeder system to the railways. I do not want to get into the trucking business tonight.

Mr. GORDON: Are you talking about our trucks or the farm trucks?

Mr. HORNER (*Acadia*): Yes, your trucks.

Mr. GORDON: There is a very difficult legal question involved in this and I am hesitating because I think I should make my position clear on it. It may seem to you that I am quibbling but I am not; it is an important question and sometime during this committee I have to make a statement on it.

Mr. HORNER (*Acadia*): I do not want to get into the trucking question tonight.

Mr. GORDON: But, if I answered your question yes or no it may well prejudice me.

Mr. HORNER (*Acadia*): I did not know the question was that good.

Mr. GORDON: Yes, it is very good and, if you would like me to, I will read the statement now.

Mr. HORNER (*Acadia*): No, I do not want to get into the trucking details tonight. The hour is getting late and you are tired. But, here is the point, and I am going to assume maybe a false assumption, that trucks do act as a feeder line to the railway. If that is so then will you agree with me in a sense that the branch lines also act as a feeder line to the railway?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): All right. Here is the way it look to the citizen who is, shall we say, part shareholder of the C.N.R. He sees the C.N.R. advancing in the trucking industry and abandoning the branch lines and he just cannot make those two things jibe because in a sense they are enlarging one feeder line and doing away with another.

Mr. GORDON: But, surely that is simple enough; it becomes a question or efficiency and which is the most efficient system.

Mr. HORNER (*Acadia*): Yes, this is the very point. We are right back to where I started.

Mr. GORDON: God forbid.

Mr. HORNER (*Acadia*): This may appear funny but it is a serious matter to the farmers who deliver grain to these branch lines. It costs something of the order of 9 cents a bushel to haul grain 25 miles or better. Maybe I am wrong in this assumption but, in my opinion, this figure is approximately correct, of course depending upon the size of the truck and the condition of the roads, which would vary this amount. But, here is my point: you have one line of feeder lines advancing, the other decreasing, and all the ordinary citizen is hearing is maintain your present feeder lines and enlarge your feeder lines as much as possible in order to make the Canadian National a paying proposition. This is what my constituents are hearing in my constituency.

Mr. GORDON: You see, it is part of my thesis. If you had read my Winnipeg speech—



Mr. HORNER (*Acadia*): I did read it.

Mr. GORDON: Then you did not read it right. It is part of my thesis that in the effort to solve this big problem of what is the most efficient way to move our grain in the national interest I say that all parties interested must be considered and there must be a co-ordinated policy in regard to it. Now, it may well be there will be individual circumstances where a properly rationalized system of carrying grain would prejudice an individual farmer. It may well be that an individual farmer may have to carry his grain farther than he does now, and the question of compensation arises. I have been perfectly willing to say that in respect of this and other matters there may have to be worked out some forms of compensation which might apply to the individual farmer, which might apply to the elevator location or to the owner of the elevator; it might apply to any number of things. This is part of what I call the co-ordinated plan, and it is not something that applies to one element in the grain transportation system.

Mr. HORNER: One further question. I am not asking, and no farmer is asking, for a daily or regular service to be maintained on the branch line. All he is asking is that he be accommodated for the shipments of grain from that point and that those shipments be charged as revenue for that point. Time and again he finds that the shipments that are instigated at that point are charged as revenue to the main line, and time and again...

Mr. GORDON: Where did you find this?

Mr. HORNER (*Acadia*): In practically any branch line or agency abandonment.

Mr. GORDON: This is what he believes?

Mr. HORNER (*Acadia*): This is more or less what is accepted.

Mr. GORDON: Does he know?

Mr. HORNER (*Acadia*): No, but he accepts the fact or the fallacy, be it what you determine it, that the board of transport commissioners assume that the grain, if point A is closed down, will have to be delivered to point B at the branch line; but in many cases point B is half way between Canadian National Railways and Canadian Pacific, and Canadian National does not get all point A grain.

Mr. GORDON: And there is a question of duplication of lines involved too.

Mr. HORNER (*Acadia*): Maybe.

Mr. GORDON: Let me try to get the formula to which you are referring. The cost accounting might help.

Mr. HORNER (*Acadia*): I will hold my questions until the formula is presented, which I hope will be tomorrow, and I hope that if any question arises out of the formula I may be permitted to ask it, though I do not think any question will arise.

The CHAIRMAN: I know he will not be long.

Mr. HOWE (*Wellington-Huron*): To get away from branch line abandonment in western Canada, from time to time we have had a problem in branch line reduction in western Ontario. We sometimes wonder in that area why there is such a duplication of services when the branch lines are still operating the full freight service but the L.C.L.'s and the express are going by truck. If there is a reduction in traffic or a reduction in the services, are all the revenues considered in those situations?

Mr. GORDON: This is really the same question: What goes into an analysis of a line when it is abandoned? I repeat what I said before, that all the revenue attributable to that line is taken into account. There is also the question of



efficiency. It may very well be in your particular case that it makes sense to continue a freight operation on the line but that it does not make sense to continue a passenger service or express if we can do that by other means more cheaply and more efficiently. It does not necessarily follow that because there is a line it makes sense to run a passenger train if we can do it in other ways more efficiently.

Mr. HOWE (*Wellington-Huron*): You are doing it with rail liners these days.

Mr. GORDON: With rail liners and with buses. We are moving types of express traffic by truck and so forth. We analyse all that sort of thing to see what is the best way of doing it in order to meet the requirements of service as well as considering the cost.

Mr. MACEWAN: Following along shortly what Mr. Pascoe was asking, Mr. Chairman, I believe Mr. Gordon stated that there was adequate equipment to handle the traffic as is, and that if in the future there is increased traffic then, of course, the equipment will be purchased.

In this regard are you able, Mr. Gordon, to look ahead any farther than, say, a year in purchasing equipment or are you limited to that having regard to the traffic on the line?

Mr. GORDON: No, we try to look ahead as far as reasonable, all things considered. You will see in regard to our budget when you come to it—by tomorrow morning before twelve, I hope—which is usually the final item dealt with by this committee, that we will have various equipment requests. That follows on a market analysis of what we see in the way of future traffic. That depends on what our analysis has shown. We have a department that makes a very detailed analysis of our customers requirements or those whom we may foresee may be our customers, and there is a great deal of consideration of the equipment we might be buying. Again, we are not perfect; we can make a forecast and sometimes it does not work out. However, we do make a very detailed market analysis with our clients and any people we might think might be our clients.

Mr. MACEWAN: You would not put any specific time on that?

Mr. GORDON: No. If we could see it making any sense, we would look three, four, five or even ten years ahead, if we could be sure of any particular development.

Mr. MACEWAN: You have heard suggestions, no doubt, during your years as head of Canadian National Railways that perhaps a five year plan or something of that order be brought forward because it has been suggested that at times railway equipment is ordered in a hurry and must be delivered in a hurry to the railways, and that by such a plan the equipment would be enabled to be available when necessary.

Mr. GORDON: Yes, but the point there is that there will always arise unexpected things. One can never foresee everything. Of course, so far as equipment manufacturers are concerned, they would like to have long term orders but any discussions we have had with them do not show us that there is any advantage in that respect. If they were ready to work with us on a plan whereby they would cut their price in terms of future delivery we might talk to them; but we have never been able to get them to see it in that way.

Mr. MACEWAN: Then, finally, you specially referred to research and to specialized equipment which you are going into more and more every year. Does this limit the time period even more than, possibly, it was limited in the past?

Mr. GORDON: Yes, and of course there are new technologies being developed every day. There are methods being followed by industry in regard to trans-

portation; it is changing all the time. The types of packaging and the methods of transportation are changing all the time, and we keep closely in touch with it through our customer research service, which I have mentioned here.

The CHAIRMAN: Gentlemen, may we pass the item of financial review subject to finishing branch lines tomorrow on development?

Mr. FISHER: I have one or maybe two questions with regard to the east-west bridge subsidy.

Mr. Gordon, this has increased by \$1.1 million in this year which is on record here. The total pot actually has not increased to the bridge subsidy. It is just, I take it, that your share of the \$7 million to \$7.5 million has gone up?

Mr. GORDON: It is related entirely to the traffic. It is our portion based on the traffic.

Mr. FISHER: What I am concerned about is that over this past winter on several occasions the rates have gone up and the point has been made that it has been necessary, because of increased traffic, to spread the bridge subsidy more thinly. Therefore, the effective rate that they have to pay has gone up for the shippers in our area on several occasions. Nothing can be done about this, and of course what all these shippers are worried about now is the end of the bridge subsidy. I want to be perfectly clear that the increase that is denoted here does not represent a larger bridge subsidy in total.

Mr. GORDON: No, it does not; and I am not familiar at all with the suggestion that the effective rates have gone up. I would have to check the records on that.

Mr. FISHER: I think your Mr. Smith, who is your Ottawa representative, would confirm that I have raised this a couple of times in the House of Commons. It is a fact that certain shippers in the lakehead area and in northwestern Ontario have been concerned with this and it has been held off. I think the last postponement after intervention ends this month, and there is considerable concern about it.

Mr. GORDON: Are these shipments to which you refer definitely in connection with the east-west bridge subsidies?

Mr. FISHER: Yes.

Mr. GORDON: Are they included in that pool?

Mr. FISHER: Yes.

Mr. GORDON: I will have to look into my file.

Do you know about it, Mr. Smith?

Mr. WALTER SMITH (*Canadian National Railways*): I am not readily familiar with the details, but we have the correspondence on this.

Mr. GORDON: I will have to look at it; I am not familiar with this.

The CHAIRMAN: May I have a motion to pass the financial review?

Item approved.

The CHAIRMAN: We will now go ahead with development. Do you wish to proceed this evening, or do you wish the committee to adjourn now?

Mr. HOWE (*Wellington-Huron*): I am sure some of the members of the committee who are not here would like to ask some questions, and therefore I think we should adjourn.

Mr. FISHER: I wanted to ask one question connected with research.

Is there someone in your company who devises this apparatus that has been put on the locomotives which requires the locomotives engineer to touch something every 20 seconds otherwise an alarm goes off?

Mr. GORDON: Mr. Demcoe, do you know about this?

Mr. DEMCOE: It is a gadget called an alerter that is produced by the Vapor company in the United States.

Mr. FISHER: Did your research people do any work with it at all to determine what effect this would have on the general well-being of your employees?

Mr. GORDON: What is its purpose?

Mr. DEMCOE: We have not done any research work in our research laboratory, but we have installed it on our locomotives in order to get experience and see what reaction we will get.

Mr. FISHER: It is just on an experimental basis, not in service?

Mr. GORDON: What is the purpose of it?

Mr. DEMCOE: To replace the deadman control eventually. Our enginemen find considerable difficulty holding their foot on the deadman's control, and the idea of the alerter is to replace it, if possible.

Mr. FISHER: But at the present time you have no intention of putting it into full service?

Mr. DEMCOE: No, not until it is fully tested.

Mr. GORDON: The intention is to make it a better means in connection with a man in relation to the deadman's control.

Mr. DEMCOE: That is right.

Mr. GORDON: This is not an additional gadget.

Mr. FISHER: No, but the people I have talked to, who are working with it, are no more enamoured of it than the deadman's control.

Mr. GORDON: It is the same old story.

Mr. FISHER: I would suggest that it is quite a hardship every 20 seconds to make a movement over say what could be a five or six hour period otherwise an alarm would go off in your ear.

Mr. GORDON: I know what you mean. Every 20 seconds I am asked a question here. I will have a look at this. You can rest assured it will not go in until it is thoroughly tested and until we are satisfied it does not impose a greater burden on the people.

Mr. LACHANCE: Would it be possible to get the formula supplied tomorrow to all the members of the committee?

Mr. GORDON: I am not sure. I am not sure if I can get it between today and tomorrow morning.

The CHAIRMAN: We are not meeting tomorrow morning. We have a caucus.

Mr. GORDON: What is a caucus?

The CHAIRMAN: It is something like this. Everybody disagrees. The meeting is adjourned.

The committee adjourned.



WEDNESDAY, June 17, 1964.

(Text)

The CHAIRMAN: Order. Last night when we adjourned we were dealing with the item headed "Development" appearing on page 4.

Mr. HORNER (*Acadia*): Mr. Chairman, I wonder whether Mr. Gordon was able to bring with him today an application or form which is used to appraise branch lines in determining whether or not they are paying units?

Mr. DONALD GORDON (*President of the Canadian National Railways*): Yes.

First of all, Mr. Chairman, I should like to take advantage of the opening of this meeting to say that I have now had a number of copies made of my speech in Winnipeg on September 26, 1962, in which I outlined a sort of viewpoint that the Canadian National held in respect of this whole grain moving situation. I have enough copies now to make them available to each member of the committee if you would like to have them.

I should like to suggest, if you are agreeable, that the committee might consider it suitable to attach this as an appendix to the proceedings of today as a matter of record because while I said rather facetiously that this was entirely my own speech I want to say now along with that, that while it is my speech, nevertheless it was very carefully edited and gone over by the C.N.R. officials who are thoroughly familiar with the practices and methods of handling the grain in the west, so that it does represent the Canadian National policy outlook and would, I think, be useful for this purpose.

The CHAIRMAN: Is it the wish of the committee that this document be appended to the minutes and evidence?

Some hon. MEMBERS: Agreed.

Mr. GORDON: Secondly, I have been able to get hold of a form which covers what I had in mind. Before mentioning it I should just like to make this brief comment.

It should be remembered when we are discussing this matter of branch line abandonments that the question of branch line deficits was only one of a number of questions, of course, that were dealt with by the Royal Commission on Transportation in considering all aspects of what has been referred to as a railway problem.

There was the royal commission itself, of course, which had a staff of very high quality experts and, in addition to that, the various people that appeared before the commission, not only the railway people themselves, but people from the provinces and, indeed, any one interested at all, when we prepared and submitted a brief to the commission, they also had their own experts so that the evidence which was produced before the commission is of very high quality indeed, and it is on the basis of that evidence therein produced that the commission made its recommendations. In our case the costing procedures had been defined and improved to a very great degree and the railways were successful in having the commission accept our costing procedures in regard to all of our items under discussion, not only branch lines but questions of grain payments, various subsidies, passenger deficits and so forth. So there is a very thorough analysis made by the commission in the course of its hearings, which went on as you will remember not only week after week, month after month but finally year after year. There were about two years of exhaustive inquiry by the commission which took place during hearings all across Canada.

With that brief statement I should like to say that I have the form that I had in mind when we broke off last night. In looking it over I can confirm quite definitely what I told you in regard to the manner in which we approach this question of submitting to the Board of Transport the particulars that they require when we file applications and, therefore, the branch line is credited in full with all revenues which originate or arise out of traffic originating or terminating on the branch line under the headings of "freight-carload, freight-L.C.L.; express; passenger; communication and miscellaneous". The total amount of revenue accruing in respect of transportation in Canada covering the originating or terminating traffic is credited to the branch line.

Then against cost against the system, or variable costs as we call them, we charge the total cost of the branch line itself and the variable cost of handling the traffic on the rest of the journey which, of course, would be on the main line.

This form I have before me is a summary in accordance with an agreement that we reached with the Board of Transport regarding the manner in which these various statistical figures would be broken down in making the applications to which I referred. This document runs into quite a number of pages. It covers, generally speaking, the historical background, and the general conditions under which the railway line was built are summarized for the benefit of the Board of Transport itself. Then, under another heading, we deal with the present condition of the railway line; what is its main condition, its physical condition and what have we been doing over the years in the manner of upkeep and so forth, and we bring that into a summary of the conditions of the line today. Then we deal under a heading with train service giving the actual trains that are operating on the branch line, explaining in a summary again what services seem to be justified.

We again deal under a heading with highway service where we point out what alternative service is available in the particular area assuming that the line were abandoned.

We then give a detailed analysis of the number of inbound and outbound carload traffic, and so forth, and a general analysis of traffic of all kinds which, as I said before, is summarized in that paragraph.

We have another paragraph in which we deal with the effect on railroad employees; what would happen in regard to the rearrangement affecting the actual employees that have been employed on the branch line operation.

Then we deal under another heading with impending capital expenditures, and we indicate under this heading what would be necessary in order to continue the line.

Then we have another summary under the heading of "operating results," covering the operating results for the line for the year in which we are making the application. That is drawn down to a demonstration, therefore, that would be, with the abandonment of the line, a justification arising out of the annual long term betterment so far as the railway is concerned.

When this information is placed before the board and an application is going to be heard, and you will remember what I said yesterday, that there is an arrangement right now by which applications are held up temporarily until the MacPherson report legislation is dealt with, and I am referring only to the Western Canada applications because there are other branch line abandonments, of course, elsewhere that are proceeding. A copy of all this information is sent to all the interested parties which the board feels have an interest in regard to the line and any person may, if he wishes, ask for the information or appear before the board at a hearing that may be held in respect of that particular abandonment.

I think that is about all I need to say in that regard unless there is any further particular you would like me to cover.

Mr. HORNER (*Acadia*): Mr. Gordon, would you have any objections to making this document you have been referring to an appendix to the committee proceedings?

Mr. GORDON: I have no objection except it is an awkward sort of thing.

Mr. HORNER (*Acadia*): It would give us something to examine.

Mr. GORDON: This is, as I say, a hypothetical case since I would not want to put on the record individual cases because at this time these are not yet being heard and I do not want to take an actual case. To the extent that the reporters can take care of this document I will be glad to put it on the table and let them handle it. I do not know how they can reproduce this sort of document.

Mr. KORCHINSKI: I think they can reproduce that sort of document and I think it would be very helpful information if and when committees are set up throughout the country, because individuals will be able to understand what you have said.

Mr. GORDON: I have no objection and would be very happy, if it would be helpful to you, to let you have this copy so that you can make copies of it. You must remember this is a hypothetical case and the first line reads:

The line from Fictitious to Convention, Saskatchewan,—

Mr. KORCHINSKI: Those are probably the only two branch lines that will exist after you are through.

The CHAIRMAN: Is it the wish of the committee to insert this fictitious document in the minutes and evidence?

Some hon. MEMBERS: Agreed.

Mr. GORDON: I am anxious to get the document back, by the way, and would the reporters see that we get it back? That is the only copy we have right now.

Mr. MACDONALD: Mr. Gordon, a passing reference was made yesterday to the techniques of transporting solids by way of solutions through pipe lines. Have your research people been doing any research along this particular line?

Mr. GORDON: Yes. We have been carrying out a good deal of examination in this regard. I think I have a note here in my papers in this respect. I will just see whether I can find it or not.

Mr. PRITTE: Mr. Chairman, while Mr. Gordon is looking for that note could we perhaps deal at the moment with the one subject under the heading "Development" on pages 4, 5 and 6?

The CHAIRMAN: We are dealing with research first.

Mr. PRITTE: I see, we are still dealing with research?

Mr. GORDON: We have been watching this development with great interest and we have established that between one eighth and one quarter of the company's annual revenue is derived from transporting products which may be handled by pipe lines in the future. This is our appraisal of what is involved. We have then, therefore, been doing a lot of research work in respect of the technology of solids in pipe lines. We intend, and I speak subject to all the qualifications that go with making a forecast about the future, to enter the field of pipe line solids when the conditions warrant and to compete for traffic in areas that can be economically developed by means of this new mode of transportation and to get approved the technical developments to undertake such research as we require. We have been particularly interested at the moment



in concentrating our attention on handling commodities such as ores or various types of ores, coal and wood chips in pipe lines and the technology of it is now fairly well advanced. We are keeping in close touch with such institutions as the research council of Alberta, the national research council, the pulp and paper institute, the Colorado school of mines, and a laboratory in France also that is doing some work in this field and we are in close contact with them as well.

We do not see a very early situation in that respect. There is another wide field of research that needs to be looked into very definitely and that is the legal and jurisdictional aspects of the operation of pipe lines, which raises questions which may require new policies and legislation by the parliament or provinces of Canada.

Mr. MACDONALD: That touches upon my second question, Mr. Gordon. Are your corporate powers not sufficient now to operate a pipe line either or this kind or of another kind?

Mr. GORDON: We are in doubt about it. It may well be that special legislation will be required.

That, as I say, is part of the research that we are carrying out.

*(Translation)*

Mr. BEAULÉ: In the case of research on buildings, I do not know whether the English and the French reports are alike?

The CHAIRMAN: Real estate comes later.

Mr. BEAULÉ: I beg your pardon?

The CHAIRMAN: We shall call Real Estate later, page 7.

Mr. BEAULÉ: Good.

*(Text)*

The CHAIRMAN: Have we concluded our discussion in respect of the paragraph headed "Research"?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We will now consider the paragraph headed "Branch Lines" under the general section headed "Development".

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, I will now . . .

The CHAIRMAN: Yes, Mr. Beaulé.

Mr. BEAULÉ: I would like to ask Mr. Gordon to tell us why the project of building a railroad line from Gaspé to Ste Anne des Monts was abandoned?

*(Text)*

Mr. GORDON: That is a matter of government policy. I think only the minister can appropriately answer that question.

Mr. PRITTIE: I should like to ask a question in respect of real estate.

The CHAIRMAN: We are now dealing with the branch lines paragraph. Have we concluded our consideration of that subject?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: We will now move to a consideration of the real estate paragraph.

Mr. PRITTIE: I should like to ask one or two questions about things of a local interest to the Vancouver area.

Mr. Gordon, last year you were asked questions about the Canadian National steamship dock at Vancouver and you answered at the time that you could find a use for it in respect of the railways. Has there been any further development in that regard?

Mr. GORDON: There has been nothing new since I last spoke to this committee which is only a matter of six months. There is no new development as far as I know. I am going to be in Vancouver next week and that is one of the subjects I intend to look into.

Mr. PRITTE: I have one further question which has to do with the one steamship operating on the west coast. I do not see any other heading under which I should ask this question so I will ask it now.

Mr. Gordon, I asked you last year whether the company contemplated getting an additional steamer for the coastal trade which was proving profitable now. Mr. Gordon, at that time you said the trade was picking up and paying but you did not think it was worth while to purchase any additional steamers. I am just expressing an opinion now, but it seems to me this is a very worthwhile trade and if it were extended in the future, particularly as the population of the coast cities in Canada and the United States, and especially in California, grows the company will lose business here if it does not make some move in that direction. I offer the further view that this trade requires some type of vessel which could operate on the Alaskan trade in the summer time and the Hawaiian trade in the winter time. I think that might prove to be a more economical operation.

Mr. GORDON: Thank you. I will keep your opinion in mind. This involves a matter of business judgment and this again will be considered. That matter will be under discussion in the near future.

(Translation)

Mr. BEAULÉ: Mr. Chairman, would Mr. Gordon tell us whether he is giving any consideration to the possibility of building an up-to-date plant for servicing engines and freight cars at Sainte Foy in order to combine the Charny and Limoilou plants because the repair plants which are presently in Quebec City and Charny are obsolete with regard to diesel locomotives.

(Text)

Mr. GORDON: Perhaps Mr. Demcoe could answer that question. Would you care to take that one?

Mr. J. W. DEMCOE (*Vice President, Transportation and Maintenance, Canadian National Railways*): No, up to the present time, we have not given any consideration to changing the location of the shops in the Quebec-Levis area.

(Translation)

Mr. BEAULÉ: Do you envisage the possibility of building a station at Sainte Foy in view of the new service between Quebec and Montreal on the South Shore?

(Text)

Mr. GORDON: Well, we have a station there.

Mr. DEMCOE: Yes, a brand new one.

Mr. GORDON: We have a brand new one. Have you not been there lately?

(Translation)

M. BEAULÉ: Does the new train stop at Sainte Foy?

(Text)

Mr. GORDON: Yes, it does indeed. The running time for the new train is 2 hours and 45 minutes between Montreal proper and Ste. Foy. We want Ste. Foy to be regarded as the main stopping place because of the time factor. The train does go on through to the Palais Royal station but it takes half an hour to get there. In the inaugural run which we made last week we had a full load, mostly made up of members of the Chambre de Commerce and I was interested to learn that 80 per cent or more of those who were on that train came to Ste. Foy by preference, parked their cars there and boarded the train there. So, I am hoping that Ste. Foy will be the terminal for most people.

(Translation)

Mr. BEAULÉ: Do you foresee the possibility of building a union station so that the Palais station at Quebec could be removed and this would necessarily eliminate the movement of trains in and out...

(Text)

Mr. GORDON: I am sorry but I missed your first few words. Would you say it again.

(Translation)

Mr. BEAULÉ: Do you foresee the possibility of having a station, a pool station for the Canadian Pacific and the Canadian National, for trains going in and out of Quebec, which would eliminate train traffic through the city where we have the problem of level crossings?

(Text)

Mr. GORDON: Well, that is a question that has been hanging fire for many years, and it is a very difficult and costly thing to contemplate. As far as I know at the moment, the answer to your question is no, we do not have it actively in mind. Of course, it would affect the C.P.R. a great deal more than it would us.

Mr. HORNER (*Acadia*): Mr. Gordon, in respect of real estate I notice that a 26-storey building is going to be built in Edmonton and, I take it from this paragraph, it is going to be built by private interests.

Mr. GORDON: Oh yes. This is typical of the kind of thing we are doing. The way we are trying to handle it is that at points where we have available property, which may take the form of what we call aerial rights over our tracks, we try to encourage a local promoter to rent the space on a ground rent basis from us, and they provide the capital for the erection of the building. In most cases we give them encouragement in that respect because we, in turn, enter into a lease with them in regard to our own requirements. So, very often he gets enough from us in the first instance in the way of rent to justify his basic risk. But we do not put any money into it.

Mr. HORNER (*Acadia*): It is being built on railroad property though.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Of course, this is a policy decision, I suppose, which has been taken, namely that private interests should build it; but, it seems to be the wrong decision. I think that you are going to have to substantiate the construction of the building by renting it. Why would it not be better for the Canadian National to build it themselves on their own property? You are going to be the major renters, I take it.

Mr. GORDON: May I ask you how recently you have been in Montreal?



Mr. HORNER (*Acadia*): Oh, about a year.

Mr. GORDON: Do you remember the Place Ville Marie building?

Mr. HORNER (*Acadia*): No.

Mr. GORDON: The huge building? The Royal Bank building?

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: That building was estimated to cost about \$80 million. When it was finally finished I understand that Mr. Zeckendorf of Webb and Knapp Company Limited found it cost him about \$120 million. You may have seen from recent information in the newspaper that the Zeckendorf interests are in deep trouble in regard to their own financial position. Now, when we make an agreement with a promoter he takes the capital risk and the rental which we pay is a market rental and a market rental only. We do not encourage the promoter by any form of subsidy in respect of rent; we pay the going market price for the rent and it is on that basis. We are able sometimes to encourage a promoter to take the entrepreneur risk that goes with this development. We do not believe the Canadian National should enter the real estate business.

Mr. HORNER (*Acadia*): Well, you are into it in a big way now.

Mr. GORDON: We have been in the past but largely in connection, I think, with our own buildings. We have not erected buildings, generally speaking, which have been over built above and beyond our own requirements.

Mr. HORNER (*Acadia*): What part of the 26-storey building to be built in Edmonton will be rented by the C.N.R.? What would be the percentage?

Mr. GORDON: Have you the particulars there, Mr. Demcoe?

Mr. DEMCOE: No, I have not.

Mr. GORDON: We have the square footage but I am unable to relate that to the total. The Canadian National is interested in leasing approximately 70,000 square feet of space for regional and area headquarters and 16,000 square feet of space for the necessary railway facilities. I am trying to find out what it is in terms of the total building. It ought to be here but it is not.

Mr. HORNER (*Acadia*): Could you give the committee some idea in this connection?

Mr. GORDON: I should have this information here. Of course, I can tell you there are many other things in the building. The first three upper floors of the building will be used as a parkade. It will have a ground floor shopping arcade which will be developed along its full wall and will contain stores, banks and other facilities. It will be of interest to you to know on the basis of our giving up space which we now rent in the city and consolidating it in this area in the new buildings, we figure our net advantage in rent is about \$26,800 a year, which we are better off by consolidating it in this building.

Mr. HORNER (*Acadia*): What are you prepared to pay, about \$4 a square foot for the renting of this new building? I have just taken that figure off the top of my head.

Mr. GORDON: I have not that figure here but I can easily get it for you.

Mr. BROWN: Top secret.

Mr. GORDON: I will have to get that information for you. I do not know why we would not have it because it is such an obvious thing. I would have to inquire about that. I have forgotten the percentage of the building.

Mr. HORNER (*Acadia*): I would suspect—and correct me if I am wrong—that you would be renting about three quarters of it.

Mr. GORDON: Oh, no, I would not think so. But, even if we were it would still be all right. My recollection is that I would be surprised if we went beyond 18 to 20 per cent. I would be surprised if it is more than that. But, as I say, I can get that figure.

Mr. HORNER (*Acadia*): Why would you specify then that it would have to be a 26-storey building?

Mr. GORDON: We did not specify it; that is up to the private enterpriser who is building it. It is not our specification.

Mr. HORNER (*Acadia*): You are giving him the land.

Mr. GORDON: No, we are renting it to him.

Mr. PRITTIE: What is the extent of the lease? Would it not be a long term lease?

Mr. GORDON: I have not the exact number of years.

Mr. HORNER (*Acadia*): Say, it is a 20 or 40 year lease. At the end of the term of that lease what happens to the building if it is still on Canadian National land?

Mr. GORDON: There would be a provision for renegotiation of rent subject to an arbitration clause in case of disagreement.

Mr. PRITTIE: The normal practice at the end of a long lease period—and I imagine this is a long term lease—is that it goes to the owner of the land.

Mr. GORDON: No. That is an emphyteutic lease to which you are referring and that is usually a 99 year lease, at the end of which time the building goes back to the owner of the land. And, in the meantime, the user of the property has all the rights of ownership. It is not necessarily the case and I cannot remember whether this one is or is not. But, I am quite satisfied it is a very good business arrangement from our own point of view.

Mr. HORNER (*Acadia*): And, I presume, the same story would apply in the case of the 28-storey building which is being built in Montreal? Is this a similar deal?

Mr. GORDON: Yes, That is the one between the International Aviation Building and the hotel there. That is the same kind of a deal.

You will note that we talk about the development of the aerial rights over the railroad tracks in the Lagauchetière street area. Following advertisements placed in the papers we recently entered into an arrangement with Concordia Estates in respect of a huge development to be undertaken there. The total aerial rights consist of a 233,000 square foot block of land under a 99 year lease. The proposal contemplates the construction of a massive 12-storey building of approximately 2 million square feet for the purpose of a trade and merchandising centre, including convention facilities, office space, parking, hotel facilities at the top, and so on. That is now actively in the course of discussion and we made the deal to the extent of their agreeing to take the ground space on a ground rental basis. We have not yet worked out our deal as to whether or not we will take any space in that because there has been no discussion in that respect yet.

Mr. LLOYD: On the same subject, Mr. Gordon, taking Edmonton, Alberta, as an illustration, your report states that agreement was reached with private interests for the construction of a 26-storey building to house commercial offices and a passenger station. Perhaps you already have answered the question but I have to go over the ground in order to obtain the information I require without offering any opinions which, I understand, according to the press, you do not believe in. In this particular instance how did you begin the process of this development?

Mr. GORDON: We advertised that we had space available and invited proposals. Now, we cannot make specifications, we simply let the promoters whom we felt might be interested, know that the space was available and we invited ideas or proposals. Then, we select from the proposals received the one that seems to be most advantageous.

Mr. LLOYD: How many proposals did you receive?

Mr. GORDON: We did not receive more than, I think, two in this particular case.

Mr. LLOYD: Did you say two proposals?

Mr. GORDON: Yes, I think so.

Mr. LLOYD: And, in this case—I think the question already has been asked, and I am sorry if it has been, but I would like to refresh my memory in this respect—did you lease the land in the case of the Edmonton development?

Mr. GORDON: Yes, it is on a long lease basis.

Mr. LLOYD: For how long?

Mr. GORDON: I do not remember, and that is what I said. I have not that particular. But, it would be long, a minimum of 40 years. However, I would have to check on it in order to be definite.

Mr. LLOYD: At the end of the lease term is it subject to renegotiation?

Mr. GORDON: Probably, but I have not the particulars of the lease. I do not remember at the moment but it probably would be on the basis of a renewal of the lease subject to an arbitration clause in case of disagreement.

Mr. LLOYD: Is there some final period of time when the renewals are no longer at the option of the lessee?

Mr. GORDON: Yes, there would be a closing date.

Mr. LLOYD: In the case of Edmonton, did you provide for the return of the property to the railway? Or is it abandoned to the high sea?

Mr. GORDON: That I cannot remember. It depends on what form of lease we have.

Mr. LLOYD: That is highly informative, I must say.

Mr. GORDON: Mr. Lloyd, I take exception to that comment. I am doing my best to give the committee the knowledge I have.

Mr. LLOYD: I would suggest that you answer the questions. If you cannot answer them—

Mr. GORDON: I have been answering the questions and—

Mr. LLOYD: The record will speak for itself.

Mr. GORDON: Perhaps you can refrain from your comments.

Mr. LLOYD: I was not going to mention this, Mr. Chairman, but in today's press there is a report of a statement made by Mr. Gordon, who said:

I am not prepared to accept your interpretation of anything.

Mr. Chairman, I am not making interpretations; I am looking for information. If Mr. Gordon does not know, he can get the information and provide it to the committee.

May I proceed with my question? The pedantic antics may be eliminated, Mr. Gordon. I understand you would naturally not recall all the details.

Mr. GORDON: Isn't that amazing?

Mr. LLOYD: Do you recall any leasehold agreements?

Mr. GORDON: Yes, and I also recall the ten commandments and some sections of the Bible too.

Mr. LLOYD: Is it the practice of the railway generally to lease out land with the property being returned to the railway at the end of the leased term?



Mr. GORDON: It depends entirely upon the circumstances of the deal.

Mr. LLOYD: Have you had any deals, Mr. Gordon, in which the land is not to be returned to the railway?

Mr. GORDON: Not that I recollect.

Mr. LLOYD: Do you have any agreements under leasehold arrangements whereby the land is returned to the owner, to the lessee, or held or abandoned to the lessee?

Mr. GORDON: I do not recall and I do not make a practice of memorizing the details of leases that we enter into.

Mr. LLOYD: Do you recall the general policy of your railway system, Mr. Gordon?

Mr. GORDON: I do.

Mr. LLOYD: Which of these general policies do you follow, or do you follow both of them?

Mr. GORDON: It depends upon the location; it depends upon the particular area. The circumstances, for example, in Quebec are quite different legally and otherwise from the circumstances in the rest of the provinces.

Mr. LLOYD: Because of a particular type of lease?

Mr. GORDON: Yes.

Mr. LLOYD: I believe you used a—

Mr. GORDON: There is a lease called an emphyteutic lease—and I hasten to assure you that I do not know how to spell the word, but I can find out. It provides usually for a 99 year lease term.

Mr. LLOYD: So you cannot inform this committee, which, by the way—

Mr. GORDON: Yes I can.

Mr. LLOYD: —is the main committee responsible to parliament and to which your corporation is accountable, though it is true through a minister but in practice through this committee—

Mr. GORDON: I do not need any lecture from you about my duties.

Mr. LLOYD: I am not giving you any lecture.

The CHAIRMAN: Order, Mr. Lloyd. Would it not be much better at this stage if you were to ask Mr. Gordon whether he can get this information for the committee tomorrow? I am sure it is information which is available, and if the witness does not recall at the present time, surely he should so state and, at the same time, state that tomorrow he can give us that information. Is that no so?

Mr. GORDON: If the information is reasonable I will try to get it, but it is quite impossible for me to remember details of leases all over the country. If you will tell me what the specific question is, without gratuitous comment, I will try to get the information.

Mr. LLOYD: I am refraining now from gratuitous comment but we are hearing gratuitous comment from the witness. I am restraining myself on this matter. Again, reverting to the type of question with regard to the 24 acres of property in downtown Saskatoon, proposals were invited in 1963 for his 24 acres. How many proposals did you receive?

Mr. GORDON: I would have to look up my file on that.

Mr. LLOYD: Earlier, general agreement, the report said, had been reached with the city for the ultimate use of the property. What were the principal elements of that agreement, Mr. Gordon?

Mr. GORDON: I would have to look up my file on that.

Mr. LLOYD: The report goes on to say that the C.N. plan involves moving almost all of its facilities to Chappell on the southwestern outskirts of the city

where a new freight yard, passenger station and the like are being built. Do you recall anything about the nature of this development in Saskatoon?

Mr. GORDON: Yes, it was a very large development involving a great number of complex arrangements with the city.

Mr. LLOYD: In that particular case the land title was held by the railway or transferred to the city?

Mr. GORDON: It involved a rearrangement of our facilities in collaboration with the planning authorities of the city.

Mr. LLOYD: Did you provide for holding the land in your own title, the title of the railway, or did you transfer this?

Mr. GORDON: I do not remember.

Mr. LLOYD: To come back again, when a property is developed on leased land do you make provision for the payment of moneys, taxes, by the developer?

Mr. GORDON: I would have to look up the file and see the details.

Mr. LLOYD: You do not know the answer to that? You do not know the general practice?

Mr. GORDON: I know the general practice well enough but it varies from point to point. Each deal is a separate deal and is guided by the details of that particular situation.

Mr. LLOYD: Let us come to Montreal and see if you can recall anything about that. You had the figures of cost a little while ago and I assume you remember some of the details. In Montreal, work will begin in 1964 on a 28 story commercial office building east of the Queen Elizabeth hotel on Dorchester Boulevard; and being built by private interests is another project. What was the procedure in this case to discover a developer?

Mr. GORDON: It was advertised and we received several proposals, and we chose the one that we thought suited the purpose best.

Mr. LLOYD: Do you recall how many proposals you received?

Mr. GORDON: I would think about three.

Mr. LLOYD: In this particular case, is the land leased?

Mr. GORDON: The land is leased, yes.

Mr. LLOYD: You do not recall the terms, I gather.

Mr. GORDON: No, it was an emphyteutic lease, as I recall it.

Mr. LLOYD: What happens to the land site in this particular case? Is it returned to the railway at the expiration of the lease?

Mr. GORDON: I have already explained what an emphyteutic lease means in the province of Quebec.

Mr. LLOYD: What criteria do you use for evaluating terms of a lease?

Mr. GORDON: Good business judgment.

Mr. LLOYD: Good business judgment?

Mr. GORDON: Good business judgment, yes.

Mr. LLOYD: And, I presume, by this you mean that you have an appraiser's valuation of the land and you use this as one of your yardsticks?

Mr. GORDON: We have a development department which is competently staffed, and all these questions are looked into by them. The recommendations come forward to me from the appropriate officials in regard to the details.

Mr. LLOYD: So you cannot advise the committee on the specific details without reference to your staff? That is what you are saying?

Mr. GORDON: No, that is not what I am saying.

Mr. LLOYD: What did you say?

Mr. GORDON: I said what I said. The *Hansard* record will show it.

Mr. LLOYD: You have just said that you had competent staff.

Mr. GORDON: That is right.

Mr. LLOYD: And I have asked several specific questions and either you did not care to give the answer or—

Mr. GORDON: I have given you the answer but you do not care to hear it.

Mr. LLOYD: You have given beautiful generalities but not specific answers. I am trying to find out what is the practice of the railway with respect to disposal of the property and with respect to sale by lease.

Mr. GORDON: I have told you four or five times about the general practice but you keep wanting to put some twist to it in order to try to discredit me in some way.

Mr. LLOYD: I have no desire to try to discredit you in any way.

Mr. GORDON: If you have not, you appear to be trying to.

Mr. LLOYD: I am asking questions and I would you to be specific if you can, but if you cannot be specific you can say that you will try to get the information.

Mr. GORDON: Let me try to repeat: Where we have property and particularly where we have aerial rights—that is, the use of property over our track—we try to develop it by enlisting interest on the part of promoters who are willing to erect buildings over particular parts of our line on a basis that they will pay us a ground rent for the use of the property; and that ground rent takes the form of a lease for certain periods of years. All the necessary precautions in that respect are taken when the deal is made. It happens on occasion that in some of the buildings we might rent some of the space ourselves, but it is not then necessarily part of the deal; it will depend upon the circumstances. However, the construction of the building is purely a promoter's risk. It is a private enterprise risk, and if the promoter makes money on it, so much the better. In the meantime, we have utilized property which is otherwise lying idle.

In some other cases we work in collaboration with the city authorities and the planning authorities. It may be that there will be rearrangement of property, a rearrangement of trackage, and collaboration with the planning authority so they can plan their traffic facilities, and so forth. However, all of these deals are intricate and have to be worked out very carefully.

Mr. LLOYD: So your development department advises you in connection with the details of these proposals?

Mr. GORDON: Yes, of course.

Mr. LLOYD: And then they made a recommendation through appropriate staff people which eventually reaches your desk where, I presume, it is reviewed. Then who makes the final decision?

Mr. GORDON: The board of directors.

Mr. LLOYD: The board of directors of the railway?

Mr. GORDON: Yes.

Mr. LLOYD: Is any reference made to the Minister of Transport on such matters?

Mr. GORDON: No.

Mr. LLOYD: You have the final decision and it rests in your hands?

Mr. GORDON: It is a matter for management.

Mr. LLOYD: It is a matter for management to decide what shall be the terms of the lease or the sale price of the land?



Mr. GORDON: That is right.

Mr. LLOYD: Have you sold freehold titles of land in any of these developments?

Mr. GORDON: No, but again I would have to check on that. You are getting into legal terms and matters which I would have to refer to our legal department.

Mr. LLOYD: What legal terms?

Mr. GORDON: The question of freehold land has a legal connotation that needs to be examined.

Mr. LLOYD: Well, have you sold any land which the railway company owns to any private persons, transferring the title to them?

Mr. GORDON: Oh, yes.

Mr. LLOYD: That is what I meant by freehold.

Mr. VAUGHAN: I thought you meant in these developments.

Mr. LLOYD: I am not a lawyer but I can find ordinary common language which describes the situation.

Mr. GORDON: Well, we sell land all the time and have done so for years.

Mr. LLOYD: What is your practice in regard to the sale of such land?

Mr. GORDON: To get the best price we can for it.

Mr. LLOYD: How do you go about ensuring you get the best price? What steps do you take?

Mr. GORDON: We have a real estate department which is competently staffed and which makes an appraisal of the value of the land, and in some cases we employ outside consultants to give us an appraisal; and, generally speaking, we do what any prudent businessman would do in the disposal of property of that kind. We have another factor that we keep in mind in regard to the interests of the railway, and that is when we sell land we try, as far as it may be possible, to get people on the land who might be traffic producers for the railway.

Mr. LLOYD: So there have been cases where you may have been offered more for land, but the developments indicated on the site may not have been in the best interests of the railway.

Mr. GORDON: Absolutely no. You draw inferences from my statement which are completely unjustifiable.

Mr. LLOYD: Mr. Chairman, the witness seems to be determined to distract attention from my line of questioning. If anyone is broadly interpreting, I think it is the witness.

Mr. GORDON: Your last question was not a question at all; it was a statement. You said: So it follows from that that you are doing thus and so. That is not a question; it is a statement.

Mr. LLOYD: We can be very precise. Have you sold any land of Canadian National Railways with a freehold title to the land in the last year, or the year under review in this report, 1963?

Mr. GORDON: Not to my knowledge.

Mr. LLOYD: You sold no freehold land?

Mr. GORDON: I did not say that. At least, I misunderstood your question again. I said earlier that we have sold land and do sell land.

Mr. LLOYD: Did you sell any in 1963?

Mr. GORDON: I would imagine we did, but I do not know the details.

Mr. LLOYD: Would it be possible for you to supply the details to this committee?

Mr. GORDON: Yes.

Mr. LLOYD: How long will it take you to get that information?

Mr. GORDON: I do not know.

Mr. LLOYD: Is there any reasonable objection to providing the committee with these transactions?

Mr. GORDON: None at all.

Mr. LLOYD: And you will be willing to supply that information?

Mr. GORDON: It will depend again upon the circumstances. I want to see what the circumstances are before I commit myself.

Mr. LLOYD: In other words?

Mr. GORDON: Yes, in other words.

Mr. LLOYD: What kind of consideration would stop you from giving us this information, Mr. Gordon?

Mr. GORDON: The kind of consideration that I might be divulging information which pertains to another person's business. We enter into transactions, just as any business does, with other people. The other people concerned may not be willing, or may not like me to divulge what their business plans are and what they are doing. Therefore, I would respect their wishes in confidence; otherwise, it would militate against us in doing business at all.

Mr. LLOYD: You feel there might be some cases where it is not in the public interest to provide such information?

Mr. GORDON: It would be, yes.

Mr. LLOYD: And you establish yourself as the sole judge in that case?

Mr. GORDON: No, I did not say that.

Mr. LLOYD: Then, why can we not get this information from you?

Mr. GORDON: The other party might object to having his business spread on the records of this committee. I think it is a reasonable thing that we should respect the confidence of the people we do business with; otherwise it would militate against the best interest of the Canadian National Railways.

Mr. LLOYD: So we cannot obtain under this section any information other than the fact that you have conveyed some real estate under lease, and you cannot give us any specific details of the transactions.

Mr. GORDON: If you have any particular transaction in mind, I would like you to state it.

Mr. LLOYD: I would like to have the details of the Alberta agreement, the agreement with respect to Saskatoon, and the agreement with respect to the Montreal 28-storey commercial building. I would like this information for the committee.

Mr. GORDON: The Montreal complex would cover a file about "that high".

Mr. LLOYD: This is not directed to Mr. Gordon. It was the practice in the United States when a civil servant was questioned—I do not say it necessarily applies here, but it is an interesting observation—that when he wanted to deter the questioner, he would drive to his office, load up a truck, and drive back with the contents and say "There is your answer". I am not asking for that kind of answer here. All I am asking for are the general details of the transactions.

Mr. GRÉGOIRE: What are general details?

Mr. LLOYD: Oh, what were the terms and conditions of the leases, how long were the terms of the leases, what were the ground rents involved, and the like.

Mr. GORDON: I cannot tell you what is involved in trying to answer a question of that kind. Therefore, I cannot commit myself and say that I can obtain it today, or tomorrow. I do not know.

Mr. LLOYD: That happens every day in the house. We accept it that there must be some reservation on your part.

Mr. GORDON: If you will leave the question with me I shall endeavour to answer it to the best of my ability, and if my answer is acceptable to the committee, perhaps it might be incorporated in the evidence later on.

Mr. LLOYD: Thank you. I would like you to do so. I would like to have information with regard to these particular transactions, the general conditions of the leases, whether or not the property is to be returned to the railway at the expiration of the leases, or to continue to be held by the lessee under freehold title or not. I would like to know what the position is with respect to tax payments to the local municipalities, and I would like to know the details of the bids for any freehold sales that may have been involved in these transactions.

Mr. GORDON: Well, as soon as I can get from *Hansard* exactly what you are asking for, I shall have it examined by our officers.

Mr. PASCOE: My questions were in regard to redevelopment, but I shall skip them now in the light of what has gone on. However, has the work started now on the Saskatoon development?

Mr. GORDON: I believe so. There was a very detailed press release made by the railway and by the city at the time the transaction was consummated. I do not happen to have it here, but I am sure that a look at that press release would cover most of the things you may have in mind. I will see if I can put my hand on it.

Mr. PASCOE: That is all the questioning I have.

(Translation)

Mr. GRÉGOIRE: I would like to know whether the Canadian National—I would like to know whether the CNR are planning for the development mentioned here, in the town of Jonquière in Lapointe county?

(Text)

Mr. VAUGHAN: Perhaps I could answer that.

Mr. GORDON: By all means.

Mr. VAUGHAN: I think there has been some planning done by the St. Lawrence region as to the possibilities of what we call an industrial park in the Jonquière area. I am not sure at the moment exactly where the project stands, but I would be glad to find out for you.

(Translation)

Mr. GRÉGOIRE: Would this consist of an industrial development similar to the ones mentioned here?

(Text)

Mr. GORDON: No, it would be a different kind of thing. This is a case where we would be trying to interest various types of industry to locate in a given area, in what we call an industrial park. It would not necessarily be that we own the property at all. It might be that we are discussing with some promoter, or with the city, or with any interested parties that it is a good idea to get a certain area zoned as an industrial park by the city, and that we would provide a specialized railway service to serve that particular area. This is one of many different things that we do in order to encourage traffic. We will ask the city authorities, or anybody else who might be interested in encouraging that sort of development.



(Translation)

Mr. GRÉGOIRE: Is it the Canadian National or the municipality that would initiate such a project?

(Text)

Mr. GORDON: It could be either one, but as a practical matter, it is usually the railway which starts to promulgate an idea. It is part of our sales effort to get an idea across. If we see an opportunity in a particular area, our officials may go and talk to the people and get them interested in it. On the other hand, we have had instances too where the city itself might start talking about it and would bring us in on the conversations.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, one last question. Do you think the development of the industrial site at Jonquière stands a good chance of succeeding?

(Text)

Mr. GORDON: I cannot answer that. Negotiations are being conducted by our St. Lawrence region and I have not received information on it. All I can say is that I think it is at a preliminary stage, but we are hoping for the best. I cannot tell. I would be glad to let you know when I get back and find out just where the negotiations stand.

(Translation)

Mr. BEAULÉ: I have a supplementary question, Mr. Chairman. Mr. Gordon, are you providing a new line to connect Quebec City and the Lac Saint Jean area in relation to the industrial site?

(Text)

Mr. GORDON: No, I do not visualize that. I do not know just how that could happen.

(Translation)

Mr. GRÉGOIRE: There is none at the present time. There is no railway line directly connecting Quebec City and the Saguenay-Lac Saint Jean area. The only train arriving at Jonquière or Chicoutimi originates in Montreal.

(Text)

Mr. GORDON: There is nothing before us at the present time.

The CHAIRMAN: Mr. Korchinski?

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, one final question before I pass. Does the Canadian National, the C.N.R., see the possibility of building a trunk line which would be a first-rate trunk line, between the Ungava mines or iron ore mines and New Quebec and the Saguenay-Lac Saint Jean area, the Jonquière-Chicoutimi area?

(Text)

Mr. GORDON: No, we have nothing specific in that connection. We would have to await a development such as you mention to reach the point where there is some obvious interest in it. We keep in touch with any of these potentials, and we of course would be immediately available to promoters in offering service, just as soon as we hear about it. But there is nothing specific at the moment so far as I know.

Mr. KORCHINSKI: My question has to do with the development in Saskatoon.

Could you tell us whether there is any comparison between the amount of land turned over to the city, and the amount of land that you had to acquire for the new development. Are they comparable?

Mr. GORDON: I am afraid I do not get the point of your question?

Mr. KORCHINSKI: You have approximately 24 acres turned over to Saskatoon. I wondered how much land you had to acquire for your new station and new yard. Is it comparable?

Mr. GORDON: Do you have the actual acreage, Mr. Demcoe?

Mr. DEMCOE: No, I do not have that information. There is city property involved, and there is the property for the yard.

Mr. GORDON: It would not be more than ten or twelve would it?

Mr. DEMCOE: Oh, there is more than that, because we are putting in a yard and station grounds. There would be more property obtained.

Mr. GORDON: I do not seem to have the actual acreage that we are using in connection with this yard. As best as we can put it together sitting here it would be something in the nature of a swap, but I cannot give you the exact figure.

Mr. KORCHINSKI: The point of my question is that certain quarters in Saskatoon, I understand, claim that the deal was a really good one. I wondered, since the city is involved in this case, and you have not sold other property, whether the amount you might have obtained by leasing this property is comparable to the taxes or the grants which you would have to pay to the city.

Mr. GORDON: I can only say in a general way with the deal we made with Saskatoon, after we had taken everything into account, the property that we gave up and the property that we had acquired and so on, we felt that it worked out advantageously to the railway.

Mr. KORCHINSKI: The city claims that it was a good deal.

Mr. GORDON: That is right, it was a very good deal because both parties to the deal are satisfied. But you must remember that the point of view of the city is different from our point of view, because one of the things that they acquired was of great advantage to them, namely, relief of traffic congestion. They valued that aspect much higher than we would, because we were not interested in traffic congestion. The city put a valuation in connection with alleviating their traffic jam and this encouraged them in the matter, so that they could say that they got an advantageous deal, since it met their needs. We in turn got an advantageous deal because we were looking for a piece of property to meet the requirements for our yard. Therefore, it turned out to be an advantageous deal to both sides.

Mr. KORCHINSKI: I have one more question. When the question of taxes arises concerning this new development on the property you have acquired, does that question have to be dealt with by the Canadian National Railways or by the individual who is promoting the project?

Mr. GORDON: You are talking about the building now?

Mr. KORCHINSKI: Yes.

Mr. GORDON: The private promoter would be responsible for his taxes with the city on the basis of whatever deal he made with them.

Mr. ROCK: Mr. Chairman, Mr. Gordon, I have been an alderman in the city of Lachine for over twelve and a half years.

Some hon. MEMBERS: Hear, hear.

Mr. ROCK: During that time we have had some dealings with the C.N.R. One dealing involved the purchase of a large piece of land for a filtration plant,

and I believed at that time and still do believe, that we made a very good bargain with your real estate department. Of course, this land was for the purpose of building a filtration plant which is a municipal service.

We did have some dealing in respect of the abandonment of the railway tracks within the centre of the city and we wanted to purchase that land. At that time as an alderman, looking through the eyes of an alderman, I felt that your department charged us quite a bit. Of course, I also understand that this land was used for the purpose of development for homes and today as a member of parliament I would say that your department did a good job. However, as an alderman at the time I did not think that way.

Mr. GORDON: I am glad to hear it.

Mr. ROCK: You also have a large hump yard within the city limits, and within the limits of St. Laurent. You also have some land available I believe for industrial purposes. I believe that you are promoting industrial sites in that area. The city of Lachine at that time did develop that area which is zoned completely as industrial. We contemplated building a road across the tracks around 32nd avenue. I should like to know whether the C.N.R. has any intention of co-operating completely with the city of Lachine so this overpass can be built in that area in order that we would have two accesses to that industrial area rather than just one at 55th avenue?

Mr. GORDON: Our general policy is always to co-operate to the maximum extent possible particularly in trying to meet the traffic problems of an area, but I cannot tell you at the moment about this specific point. Again I will be glad to take a look at it. You made one point which I think should be clarified. As a matter of policy we do not buy land for speculative purposes.

Mr. ROCK: I understand that.

Mr. GORDON: We do not buy land for speculative purposes. It may be that in the course of working out real estate deals, as we do with the city of Montreal, for example, we will swap a piece of property that they are anxious to get for a piece of property somewhere else, and that piece of property may then become available for industrial purposes. We try to sell it to people who will produce traffic. Basically we do not speculate in real estate.

Mr. ROCK: Yes. You have many spur lines and trackage going through undeveloped urban areas. Has your department ever contacted the municipalities concerned asking them to pass zoning bylaws so that the areas will be industrial?

Mr. GORDON: Yes we have had discussions of that kind.

Mr. ROCK: I should like to discuss this aerial right idea. Several months ago I think a drawing by an architect in respect of an idea for the city of Toronto involving an aerial development of apartment buildings over your trackage facing Lake Ontario appeared in the *Star Weekly*.

Mr. GORDON: Yes. That was in the area out by Sunnyside.

Mr. ROCK: That is right. This was C.N.R. land involved?

Mr. GORDON: That is right.

Mr. ROCK: Has anything developed in that direction?

Mr. GORDON: Yes. We have made a deal with a promoter there who is going to build a series of apartment houses on an aerial right basis.

Mr. ROCK: So this development may come true?

Mr. GORDON: It will come through, and that particular deal is in stages. We have negotiated the first stage with the promoter and, assuming that is successful he has a series of implied options on future stages that will go along with that development.



Mr. ROCK: Are there any plans in this regard in respect of the city of Montreal west of the freight yard offices where you have approaches to the freight yard office?

Mr. GORDON: Are you referring to that area by Bonaventure terminal?

Mr. ROCK: Yes, I am referring to the Bonaventure terminal on St. James street I think it is.

Mr. GORDON: Yes.

Mr. ROCK: Are there any possible plans for doing something similar, perhaps not apartments but office buildings, in this area?

Mr. GORDON: We have no proposal before us but we are willing to listen.

Mr. MILLAR: Mr. Gordon, I wonder whether you will confirm the fact that in the city of London you have a new building?

Mr. GORDON: Yes.

Mr. MILLAR: You have a new station and office building. Is this a lease back proposition?

Mr. GORDON: Again I would have to look up my file in that respect. It is a few years ago that we did enter into an agreement with the promoter for the redevelopment of the London station property. I have not got the details with me.

Mr. MILLAR: There has been a new building completed there?

Mr. GORDON: That is right.

Mr. MILLAR: There was a considerable amount of criticism throughout the city when the C.N.R. wrecked property which was one of the few good stations you had in western Ontario and built this new one, because we now end up with a vacant lot and a new building. People have asked me questions of this type.

Mr. GORDON: The vacant lot was to be used in respect of a proposal involving a motel complex, as I remember, and the motel complex just did not go through because the developer at that time found in due course that his project was not economically feasible since other people had got in ahead of him. He only had a tentative understanding, so at that time we did not have a contract with him but it was under discussion. He got cold feet, if you want to put it that way, because of the competition that had been stirred up by the other motel developments.

Mr. MILLAR: I am simply asking you these questions because I in turn have been asked them. It would seem to me that the vacant lot now proves that this criticism in respect of wrecking a perfectly good C.N.R. station is somewhat justified.

Mr. GORDON: I would not think so. I am quite sure the station was not wrecked until we justified it from an economical point of view and decided it was more advantageous to us to do so. Again I say I would have to look at the basic deal.

Mr. MILLAR: That is all, thank you.

The CHAIRMAN: Do you wish to ask a question Mr. Cadieu?

Mr. CADIEU: No.

The CHAIRMAN: Mr. Irvine?

Mr. IRVINE: I should also like to ask a question in regard to some of the affairs in the city of London. I have a copy of a letter from the Minister of Transport to Mr. Gordon dated May 11 in which he made a request that the board of directors, on the direction of Mr. Gordon, might check into the possibility of continuing the car shops in London. I wonder about this situation because naturally not receiving a copy of Mr. Gordon's reply I do not know what the result of this query was.

Mr. GORDON: The result of the query was that at the request of the Minister of Transport we made a very thorough review of the whole situation affecting our London shops, with our Board of Directors. We were asked to specifically discuss it with the Board of Directors again and establish whether or not I could inform the minister that the Board of Directors still agreed with the decision that had been taken. We had a very thorough review at our Board of Directors meeting and I replied to the Minister of Transport giving him the full details of the memorandum which we prepared at that time confirming that the Board of Directors fully supported the action.

Mr. IRVINE: At this conference we had at which two or three submissions were presented by various unions, and officially by the city of London, the question was asked whether you had a committee or a portion at least of the board of directors visit London for this specific purpose, as the Minister of Transport asked you to do in his letter?

Mr. GORDON: No, they did not. The Board of Directors considered that request and decided that it would serve no good purpose for them to visit London.

Mr. IRVINE: I hope I am not asking for too long or detailed an answer to my next question, and if I am I will be very pleased to receive that answer as soon as it is convenient, but I should like it to be conveniently soon. Why is it not considered practical to keep the London car shops open in view of the amount of rolling stock that goes through that area and in view of the fact you already have the equipment there, the manpower? I understand an extra shift went on work last week. I should like to know why it is not considered practical to keep these shops open?

Mr. GORDON: I will give you the short answer to that question and perhaps Mr. Demcoe will add something to it.

The short answer is that the London shops are not modern shops. Their equipment is out of date. The shop has been centralized so to speak at Point St. Charles, Montreal, to get the benefits that flow from centralization. In other words, in our Point St. Charles shops, where we have brought many shops together at a centralized point, we are able to afford the type of equipment to do the job on a more economical basis through centralization than we could with these scattered shops. The London shop is one of quite a number of shops that have been closed in fairly recent years. Our economical analysis of that shop showed quite clearly that we were justified in this action.

Mr. Demcoe, would you care to add anything to what I have said?

Mr. DEMCOE: Yes. We not only have shops in Montreal but we also have shops in Winnipeg and at Moncton, and the capacity of these three shops is more than sufficient for our needs at the present time.

Mr. IRVINE: Referring again to the question in respect of property, I understand that according to plans the property in London will be available sometime in 1965 or 1966. What do your present plans envisage for the disposition of these properties?

Mr. GORDON: These properties will become available. We think they are valuable properties and we hope to develop them from a real estate point of view.

Mr. IRVINE: Has any thought been given to disposing of them from an industrial standpoint in order that you might induce manufacturing industry into that area?

Mr. GORDON: We would try to do that. That would involve part of our efforts toward the disposition of the property in due course. We were able to do that, you may recall, in respect of the Stratford shops and I hope we will be able to do the same thing. After all, this is a sales offer and whether we are successful or not remains to be seen. But that will be our objective.

Mr. MILLAR: I should like to ask a supplementary question. How can you justify closing the London shops in view of the information we have received to the effect that the Montreal shops are overloaded, working seven days a week and have a yard full of cars that cannot be looked after? That is the information with which we have been supplied.

Mr. GORDON: You were not supplied with that information by management?

Mr. DEMCOE: The shops in Montreal, Winnipeg and Moncton are on a five day week. Within the last week we have authorized all the main shops in Canada to work a sixth day from now until the men start holidays, because of the heavy traffic, and because there are two types of cars we are short of at the moment. I refer to the open topped equipment. We want to get the cars of that type that are at the shops now completed before the men begin to go on holidays.

Mr. MILLAR: Have your economic experts told you that it is cheaper to ship a car from western Ontario to Montreal, repair it and return it than it is to do the job in London?

Mr. DEMCOE: The shops are located strategically at Winnipeg, Montreal and Moncton. When a car comes into those particular areas for repair it is sent to those shops. It is true there are some cars taken out of service at other points, such as Toronto, and we have to haul them to say Montreal, or in some cases even to Winnipeg.

Mr. MILLAR: With your shops located in Montreal it follows naturally that anything needing repair in western Ontario will be sent to Montreal.

Mr. DEMCOE: We have centralized all our refrigerator car repairs in Winnipeg, so if a car of that type is in bad order and we cannot use it to haul a load west we would have to haul it light from here to Winnipeg to repair it.

Mr. GORDON: Does that answer your question?

Mr. MILLAR: Have your economic experts indicated that this is the best thing to do?

Mr. GORDON: Yes.

Mr. DEMCOE: Yes, that is right.

Mr. MILLAR: I have one other question. Do you deny, or is it true, that western Ontario is one of the most profitable areas in respect of freight as far as the C.N.R. is concerned?

Mr. GORDON: That would depend on the area to which you are referring.

Mr. MILLAR: I am referring to the Toronto area, or the great lakes region as I believe you refer to it.

Mr. DEMCOE: Yes, I understand that is true.

Mr. MILLAR: Do you not think it reasonable in view of the fact you receive a large portion of your income from a specific area that you should give more consideration to the spending of some of your revenue in that area where you receive it?

Mr. DEMCOE: We do carry out light car repairs and medium repairs at points such as Toronto, Hamilton, Sarnia and Fort Erie.

Mr. MILLAR: That is true, but is it not a fact that the staff at the car shops in the city of London represents a small percentage of what it was originally?

Mr. DEMCOE: That is true.

Mr. MILLAR: Yet your income in that area has increased. I am fighting hard for the people of the city of London. Therefore, I will argue this strongly and urgently, and I think I have a reasonable argument.

Mr. GORDON: Well, this London shop—



Mr. MILLAR: Just a minute, Mr. Gordon, I do not like to interrupt you, but I am aware that you are more capable than I am of answering these questions. What would the Canadian National think of a trucking company, if they could find one the railways do not own, going to manufacturers in western Ontario and saying: "I say, how about shipping your stuff on trucks; the railroad is not leaving any money here". Is that unreasonable?

Mr. GORDON: They will do just that if it suits their competitive interest. The only way we can handle traffic is to handle it better, more efficiently and at a lower cost, and as long as the trucking company can take it from us, they will.

Mr. MILLAR: Yes, I understand, even if it belongs to the Canadian National.

Mr. GORDON: Yes?

Mr. MILLAR: But, at the same time, I think you should give some consideration to the good customers you have in western Ontario; in other words, I think you should put money back in where you take it out. Even the government tried to do that once in a while.

Mr. GORDON: Well, I do not know of any shops that have received more detailed consideration and analysis than the London shop.

Mr. MILLAR: I am aware of this.

Mr. GORDON: And, I do not think I have met more groups in connection with any particular move than I have in the case of London. I am quite convinced that our move is thoroughly justified in respect of the economics and the efficient running of the railroad and that, after all, is our job.

Mr. MILLAR: I have one further question.

Mr. ROCK: Mr. Chairman, are we on operations now or still on real estate?

The CHAIRMAN: We are on real estate.

Mr. MILLAR: I will withdraw the question I was going to put.

Mr. MACDONALD: Mr. Gordon, I understand your Toronto yard will be in operation next year. Do you expect to replace a lot of the downtown freight trackage in the Front Street area.

Mr. GORDON: Well, when the hump yard comes into operation, of course, all our marshalling and sorting of trains will take place in the hump yard and we will not have the congestion that we have down town in the Front Street area which you mentioned.

Mr. MACDONALD: Then, will you be taking a lot of the Front Street trackage up or will you be leaving it there?

Mr. ROCK: Again, Mr. Chairman, I must interrupt on a point of order. I understood that we were still on real estate but Mr. Macdonald is directing his questions in respect of operations. Industrial development comes after real estate and then operations.

Mr. MACDONALD: I will put it this way and then if Mr. Gordon says no I will agree with Mr. Rock but if he says they are going to take it out of operation, then there will be some real estate to dispose of.

The CHAIRMAN: I have allowed your questions on the premise that you were going into a question having to do with real estate. However, I think we are going a little far afield. Mr. Millar stopped when he had a long way still to go in that connection.

Mr. MACDONALD: I will ask just this one question. Do you expect because of the new Toronto yard or otherwise to have a lot of real estate available in the near future.

Mr. GORDON: Yes.

Mr. MACDONALD: And, have you made arrangements for the disposition of this real estate?

Mr. GORDON: The whole question of this very large complex which exists down along Front Street on both railroads and covering aerial rights for both and property which may become surplus is under very careful study. That is as far as I can go as it would be premature for me to give an outline of what is in mind. However, I might say that it will be a big, big project and take a long time in the preparation of it.

Mr. MACDONALD: Could you advise whether or not the Front street property is owned by the Toronto Terminals or by yourself?

Mr. GORDON: These properties are owned by the Canadian National and Canadian Pacific. Toronto Terminals, as I recollect it, is an operating company only.

Mr. DEMCOE: Yes, Toronto Terminals is an operating company.

Mr. GORDON: It is owned by the two railways but itself does not hold real estate. The division of the property was made many years ago and, generally speaking, the property to the west of the station is Canadian National property and the property to the east of the station is Canadian Pacific property. That is subject to some qualifications but, broadly speaking, that is it.

Mr. MACDONALD: So you cannot make any definitive statement at this time in respect of the aerial rights or otherwise in downtown Toronto.

Mr. GORDON: No, except to say it is a big project and is under examination.

*(Translation)*

Mr. MARCOUX: There is a question I would like to ask regarding the stations jointly operated by the Canadian Pacific and the Canadian National, and I wonder if it would be in order to ask that question now; in any case, in order to get an accurate idea, it concerns the Palais station at Quebec City which is owned by the Canadian Pacific. I am not asking for an immediate answer because I know it is quite a specific question and I can wait. Besides, we are going to have a committee to make a thorough study of the railways.

I would like to know what is the percentage of passenger traffic of the Canadian National, as compared with general traffic. I would also like to know what percentage of the station building is used by the Canadian National. I want to know the total cost of operating that station, and finally, how much the Canadian National pay the Canadian Pacific for the use of the Palais station? I know that this is a specific question and that I can only get an answer later on, but anyhow I would like to know.

*(Text)*

Mr. GORDON: Thank you. As you say yourself, we can only take notice of the question because it is very detailed and covers a lot of territory. But, we will take note of it and see what we can do about an answer for you.

The CHAIRMAN: Would you proceed, Mr. Fisher.

Mr. FISHER: Mr. Chairman, my question is along the lines of those put by Mr. Irvine and Mr. Millar and relates to the policy of the railway rather than savings. From what you have said I would assume that you have had a lot of analyses made of the London situation, that you have had cost benefit studies and this type of preliminary preparation.

Mr. GORDON: Yes. Did you have in mind that we have an estimate of what we think the savings would be?

Mr. FISHER: Yes. Also, I want to know further whether you have made any estimate in your cost benefit studies of what are referred to as social overhead costs by some economists. I am thinking of the problem of 400 people having

to move or separate from the London area because of this and whether this factor has been taken into consideration in your analysis or whether you related it strictly to the company situation.

Mr. GORDON: Well, in regard to the latter point, of course, this intended closing of the London shops has been under long, long notice. Notice was given of it quite a few years ago. The current agitation arose out of our efforts, as management, to do the remaining men a favour. It was because we were trying to benefit them that this whole thing got stirred up. It arose in this manner; some years ago the late Mr. Kyle, who was then our vice president of the region, in discussion with the unions informed them of what our plans were for the London shop and made a statement that the final closing probably would not take place until 1966. Now, I do not believe that that should have been regarded as a firm commitment. But, nevertheless, recently it has been raised with us as being a commitment and would we honour it. Our present vice president, in agreement with me, said we would honour the commitment, if they wanted us to but we also pointed out that many of the men have seniority rights under the labour agreement and they could move before then from London to employment at Toronto because in 1965 we believe that we will have need of men of that classification in Toronto in the diesel shops and so on.

Mr. DEMCOE: In the new hump yard shops.

Mr. GORDON: Yes, in the new hump yard shops there will be a need for them and they will be able to exercise their seniority and get these jobs. These are good jobs and of the same kind they are doing now. So, we said, all right, if you will agree to speed up the closing and close in 1965, those jobs will be available but; of course, if you do not bid in on them we will have to fill them anyway and you will lose your place on the totem pole, so to speak. We made that clear to them. This stirred up the agitation along the line that there was a commitment until 1966. Now, we are willing to carry that commitment out. However I do not think it is in the men's interest that we should, and we have so informed them. But, we will do so and we will see what happens out of that.

On the other point, the total estimated savings in closing the London area shops is about \$900,000 per annum for overhead and stores expenses. That was phase I of it. No, I am sorry; that is the total. Furthermore, the property—and one of the other members was mentioning this—on which the shops are located has been appraised and we have an appraised worth from a real estate point of view, which is a little under \$1 million or, say, \$900,000, and we should improve on that.

Mr. FISHER: You are a director of Trans-Canada Air Lines?

Mr. GORDON: Yes.

Mr. FISHER: And, you are aware of the difficulties Trans-Canada Air Lines has had in separating its shops from the Winnipeg area in an endeavour to move them to the Montreal area.

Mr. GORDON: Yes, very much.

Mr. FISHER: And, you are aware that the question which has been raised here again is the sole costs of the social dislocation and the problem in respect of the employees real estate. Has any consideration been given, in view of the fact this is developing as an issue in respect of Trans-Canada Air Lines, in London, and in other places to asking the government to set up a policy in this kind of situation—and, I mean a general policy—that will apply when fairly large operations are being closed down or transferred to other localities.

Mr. GORDON: No, we have not thought it necessary. We think in this case it is a matter for management.



Mr. FISHER: Well, the reaction of the government in the Trans-Canada Air Lines situation would indicate the government feels that in that particular case there is a responsibility for the government to assist in the policy.

Mr. GORDON: I gave up a long time ago trying to comment on what motivates government action.

Mr. FISHER: I am not asking you to comment on what motivates government action. Will you not agree that the government has taken certain actions in connection with the Winnipeg transfer that had the effect of either postponing or altering what actually was in the minds of Trans-Canada Air Lines management.

Mr. GORDON: I am not aware of any postponement, no.

Mr. FISHER: Well, if you want to put it that way.

The CHAIRMAN: Would you proceed, Mr. Horner? Are you finished, Mr. Fisher?

Mr. FISHER: Mr. Chairman, I would like to revert to this question of transfers. When did it first appear to the Canadian National that the consolidation of shop operations in eastern Canada, aside from the maritimes, in Montreal, was the best solution from an efficiency point of view.

Mr. GORDON: This goes back a long way. I think it was started—

Mr. ROCK: Mr. Chairman, are we on real estate?

The CHAIRMAN: We are abandoning real estate.

Mr. LLOYD: I have some questions on industrial development.

Mr. ROCK: There are some other members here who still want to deal with real estate and to ask questions directly related to real estate.

The CHAIRMAN: I have been allowing questions on these yards on the premise that some real estate was being abandoned, but I am thinking, Mr. Fisher, that we are getting into another topic altogether.

Mr. FISHER: Well, the point I am making is that a community such as Winnipeg may be presented with a *fait accompli*, such as T.C.A. in Montreal with the investment it has in its plant, and with the situation in which Canadian National Railways have made a very large investment in Point St. Charles shops, I am quite prepared to believe that if the move does not go forward it is going to cost Canadian National Railways money. However, at some of the preliminary stages before any commitments were made for expansions and for capital investment in the Montreal area, surely it is worth knowing whether, all these factors were considered and whether this is not a *post hoc propter hoc* presentation.

Mr. MACDONALD: Explain!

Mr. GORDON: Translation please!

Mr. FISHER: I am suggesting that it is possible that this figure of the actual gain to Canadian National Railways is a figure given after the event to justify a decision taken before the event.

Mr. GORDON: I was starting to say this: the real meaning of the closing of these small shops and the concentration in three major shops, namely in Moncton, Montreal and Winnipeg, arises as a direct consequence of the discontinuance of steam locomotive power. The steam locomotive, generally speaking, is a machine that travelled about 130 miles and then needed attention—I repeat, about 130 miles. Therefore, you will find there are repair shops placed all across this country on the basis of the need of the locomotive. With the advent of diesel, all that changed and it became very much to our economic advantage to take advantage not only of the diesel's ability to travel from

Montreal to Vancouver and back without any service apart from gasoline and oil, if you want to put it that way—fuel oil—but also to set up the tools and whatnot in the main shops to take advantage of centralization. We are able to put in better types of equipment, employ better types of handling, and centralize the actual need for the major repairs in three different spots throughout Canada instead of having a conglomeration of these various types of places, equipment and means of dealing with our repairs on a decentralized basis. It was basically an outcome of the giving up of steam locomotives that led to the discontinuance of these small shops.

Mr. FISHER: And in all the plans in connection with the shops in Montreal, all the cost factors were studied before, for example, Mr. Kyle gave the indication to the shop people?

Mr. GORDON: Oh, yes indeed.

Mr. FISHER: In other words—

Mr. GORDON: It is part of a major policy.

Mr. FISHER: —these are not figures you are coming up with only now?

Mr. GORDON: No, they are not figures to rationalize after the event.

Mr. FISHER: What is the problem in so far as seniority districts are concerned in regard to the three main shops you now have?

Mr. GORDON: Problems in what way? I am not sure that I follow you.

Mr. FISHER: Is the seniority held right across the board in all three shop centres?

Mr. GORDON: There are different kinds.

Mr. ROCK: Mr. Chairman, again, we will have labour relations and—

The CHAIRMAN: Do you not think we should wait, Mr. Fisher?

Mr. ROCK: There are other items that we have already passed, such as railway operating revenues, railway operating expenses and capital expenditures, under which these matters might have been discussed.

Mr. FISHER: All right, in the face of Mr. Rock's objection I will desist from this line of questioning.

The CHAIRMAN: I think Mr. Fisher will agree that this should be reserved to labour relations.

Mr. FISHER: I will go into it later, but the question I would like to ask now on real estate—and I do not want an answer now but I would like a report within the next month or so—is in relation to the results of the representations you received from Fort William industrial development with regard to real estate holdings of Canadian National Railways in the lakehead area and particularly in Fort William and its environs.

The CHAIRMAN: Mr. Horner.

Mr. HORNER (*Acadia*): I would like to ask a couple of questions with regard to the Saskatoon development of real estate. Did the city request Canadian National Railways to move or was the move initiated by Canadian National Railways?

Mr. GORDON: It was the city which started the discussions in regard to their traffic problem in the city in order to see in what way we might be of assistance. It went through various stages. I remember one stage in which we were talking about either going over or under our tracks in order to relieve the bottleneck in the city, as you will recall, and we found the cost of that kind of thing made it out of the question. That led to various discussions and negotiations about what was the best thing to do. That then led to the proposal to relocate our track.

Mr. HORNER (*Acadia*): Of the 24 acres that are now owned by Canadian National Railways or will be owned by Canadian National Railways when the tracks are taken up, has any land been sold?

Mr. GORDON: Not to my knowledge. I have a summary here of the redevelopment program which would perhaps cover your main headings. We agreed first to a relocation of the Saskatoon railway facilities from the downtown city yard and the Nutana yard to a new location southwest of Saskatoon at Chappell, adjacent to the Canadian National main line. I think you know where that location is. Secondly, we agreed to the removal of trackage connecting the city yard to the main line. Thirdly, we agreed to a sale to the city of the right of way and a railway bridge over the South Saskatchewan river which was no longer required by Canadian National Railways as a result of the removal of the rail connection to the city yard, and the sale also to the city of the street allowances across the yard. Fourthly, we agreed to the commercial redevelopment of the city yard property following relocation of railway facilities at Chappell.

Fifthly, we agreed to the construction at Chappell of a passenger station scaled to present requirements, transferring thereto passenger station facilities now located in the passenger station building adjacent to the city yard; and, next, to a payment by the city of Saskatoon to the railway of \$2,600,000, \$1,600,000 to be paid on July 1, 1963 and the remainder on July 1, 1964. Those are the main headings of the agreement that we worked out and which, as I said before, the city regarded to their advantage and we regarded to our advantage.

Mr. HORNER (*Acadia*): Do you still own the 24 acres?

Mr. GORDON: No.

Mr. HORNER (*Acadia*): The city owns the 24 acres?

Mr. GORDON: The city does, yes. You were asking about construction. The terminal commenced in May, 1963, and it is well in hand now.

Mr. HORNER (*Acadia*): Why then would you say, if the city owns the 24 acres—

Mr. GORDON: Wait a minute; I think I am confused there. I think I have become mixed up with regard to the 24 acres.

Mr. DEMCOE: That is the downtown area.

Mr. GORDON: Is that the portion we retained?

Mr. DEMCOE: No, that is the portion we sold.

Mr. GORDON: No, I am right; we then invited proposals for commercial development of the 24 acres of city yard that I mentioned that was vacated by the railway; and we obtain the benefit of that.

Mr. HORNER (*Acadia*): Then you still own the 24 acres? Why are you obligated to redevelop this area?

Mr. GORDON: For our own advantage. We are not obligated to do so but we undertook to do so if we could. Which in turn would give the city more revenue by way of tax producing commercial developments.

Mr. HORNER (*Acadia*): I understood that the 24 acres were in the downtown area.

Mr. GORDON: At the city yards. We have made some new transactions here and that is why I am hesitating. I know we sold two acres to the city, for instance, as a site for the centennial civic auditorium, and there are some other transactions of that kind pending; but the city has already bought two acres, as nearly as I can see, of the 24 acres. The rest is what we are developing under the heading that I have been discussing.



Mr. HORNER (*Acadia*): I am sorry, but I have become more confused as I have gone along. I do not want to delay this to any great extent but I would like to clarify it. Are the 24 acres of which you are speaking here in the third paragraph in the downtown area or are they on the outside area near Chappell?

Mr. GORDON: Do you know the area, Mr. Demcoe?

Mr. DEMCOE: I remember from a year ago when the deal was first brought up that we sold certain areas for street purposes to the city. We retained the other property which is being developed by the developer. So there are two different parcels of land.

Mr. GORDON: Where is the city yard?

Mr. DEMCOE: The city yard is actually surrounding the station where the industrial area is opened.

Mr. HORNER (*Acadia*): That is the old yard about which you are speaking now?

Mr. GORDON: The old city yard.

Mr. KORCHINSKI: That is not the new yard.

Mr. HORNER (*Acadia*): You have retained 24 acres?

Mr. GORDON: We did, but I do not know if we still have the 24 acres because I do know that two acres have been sold back to the city for this civic development.

Mr. HORNER (*Acadia*): All right; now I am clear.

Mr. GORDON: This development here—I want to confuse you some more!—about which we have been talking does not necessarily cover the balance of the 22 acres. You see what I mean? It is only a portion of it. My recollection is that the development is not more than about 13 acres, so we still have some property for sale.

Mr. HORNER (*Acadia*): In the agreement for which the city paid you \$2,600,000, are you obligated to develop all or part of this 22 or 24 acres, or can you put it up for sale?

Mr. GORDON: We can put it up for sale in any way we like but there is a gentlemen's agreement that we will try to develop it as a commercial centre, but there cannot be an obligation because we have never undertaken to erect any buildings ourselves.

Mr. HORNER (*Acadia*): But you have encouraged the construction of the new buildings in Edmonton and the new buildings in Montreal?

Mr. GORDON: That is what I mean; we did advertise the property and we have this developer to put up the building. We have encouraged him by taking some of the rental space ourselves. In other words, we are trying to develop that area, and that was our understanding with the city. However, there is no legal obligation upon us.

Mr. HORNER (*Acadia*): You mentioned that it is not the policy of Canadian National Railways to construct buildings. I am thinking of the Calgary hassle concerning Canadian Pacific Railway. Is this the same policy as the policy of Canadian Pacific Railway?

Mr. GORDON: I am not going to talk about the policy of Canadian Pacific.

Mr. HORNER (*Acadia*): But your whole recommendation to this committee in this annual report is based on the desire to be put upon an equal footing or upon the same basis as Canadian Pacific. All I am trying to find out is whether this policy is similar to the policy of Canadian Pacific.

Mr. GORDON: Not necessarily. I can cover it in this way. I mentioned earlier that as a matter of policy in Canadian National Railways we do not buy real

estate for the purpose of speculation, even if we think that by reason of putting in the railway the property will have an enhanced value ten years hence. We do not buy it solely for that purpose. We only acquire property incidental to railway purposes. Now, Canadian Pacific Railway would do that, I believe. I believe they would buy property for speculative purposes. I do not want to be in a position of giving evidence for them, but I believe they do that.

Mr. HORNER (*Acadia*): All I wanted was an answer to the question, and I thank you for it.

In the sale of the 22 acres which are left—you have sold two and I presume the city obtained a clear title to those two acres?

Mr. GORDON: Yes. I think it is well known what they paid for it; that is a matter of public information.

Mr. HORNER (*Acadia*): The point I am trying to clarify is this. What is the policy of Canadian National Railways with regard to the sale of land such as this? Do you put it up to the highest tender? Do you take tenders on it? Or do you just make a good business deal?

Mr. GORDON: We try to stir up interest in it. You see, we have advertised various properties and let it be known that they are available, and we have had no answers at all; or we have had answers for a purpose that we did not approve, a purpose that we did not like, and we would not necessarily be committed to that kind of thing. It is not a tender in that sense; we are not committed to it. We may obtain two or three proposals, and in that case we would look over the proposals and select the one that we felt made the most advantageous use of the property and also accrued most in the Canadian National interest.

Mr. HORNER (*Acadia*): But it is not a basic policy of Canadian National Railways, whenever it has land to sell or space above the track, to put that out for tender or anything of that nature?

Mr. GORDON: No, not generally. This whole effort on our part is a matter of very recent development. For years until recently the land lay there and was not actively stirred up, so to speak, to get interest in the promotion of it. This is a policy that we have adopted in order to try to utilize—depending upon the point of view—either spare lands or waste lands.

Mr. HORNER (*Acadia*): I agree with this idea. But would you say that the system of tenders would not improve your price in any way, shape or form? I am thinking of the 22 acres left in downtown Saskatoon.

Mr. GORDON: No, it is not possible to put it out for tender in that sense. I would not do that. I want to see the land used to the best advantage of the railway. Therefore, we ask people who want to get that land to give us a proposal as to how they propose to use it. If we should just sell land to somebody, he might buy it and hold it for ten years and do nothing. We do not want to see that happen. We want to see the land developed.

Mr. HORNER (*Acadia*): I think that the city would have bylaws to provide that construction must start within such and such a date.

Mr. GORDON: I would doubt it. You cannot force a person to use a piece of land that he owns.

Mr. HORNER (*Acadia*): It may be different in Alberta.

Mr. GORDON: I would be surprised if there was such a law.

Mr. LLOYD: I was trying to get an answer like this earlier.

The CHAIRMAN: I will give you a chance later.

Mr. LLOYD: The answers are very interesting.

The CHAIRMAN: Mr. Crossman.

Mr. CROSSMAN: I am endeavouring to get a few answers on behalf of people who have been questioning me lately. I come mainly from near the riding of Moncton, Westmoreland. Was the development at Moncton similar to the arrangements which you described to us which took place in Saskatchewan and at Montreal?

Mr. GORDON: It was the same general idea, yes. We made land available to the promoter. He had a plan which we approved, and he is working on it now.

Mr. CROSSMAN: In the first paragraph under real estate it says:

Urban development projects were advanced in several centres across Canada in 1963 in accordance with the system's program to redevelop its real estate holdings in co-operation with municipal authorities and private developers.

Mr. GORDON: Yes sir.

Mr. CROSSMAN: Does that mean in co-operation with one or the other or with both?

Mr. GORDON: It means in co-operation with each and both. Often we have first of all to talk to the municipality to get suitable zoning arrangements, because the land might have to be zoned for industrial purposes rather than for residential purposes. Then, when we get that protection, we may talk to a private developer, or it may be that a private developer will approach us first, and we both consult with the city.

Mr. CROSSMAN: Was the city of Moncton approached?

Mr. GORDON: Yes, very definitely.

Mr. CROSSMAN: Does the firm which leased the land and is going ahead with construction have more buildings to construct, or is that it?

Mr. GORDON: No, there are more buildings to be constructed. Terminal Centre Corporation, that is the name of the developer is now negotiating with respect to dividing and subleasing the property for the purpose of a large supermarket and other commercial establishments around the station area when the area is cleared, and we are hopeful that such development will proceed.

Mr. CROSSMAN: That would cover land left vacant by the destruction of old buildings?

Mr. GORDON: Yes, that is the intention. That is what we would like to see. Whether it works out, and whether the people concerned are prepared to put their money into it and go through with it is the question.

Mr. CROSSMAN: There is vacant land available?

Mr. GORDON: Yes, and it is under discussion now.

Mr. HORNER (*Acadia*): I have one more question. You have been very patient at other times, Mr. Chairman. I wanted to get it clear in my mind concerning the Saskatoon deal. Am I correct in saying that the city paid \$2,600,000 for the removal of the tracks and the use of one bridge, I think?

Mr. GORDON: It was for all the agreement that I outlined. It was for the whole package.

Mr. HORNER (*Acadia*): Yes, but in a sense you have most of the land left?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): So in a sense this is what the city paid in order to alleviate a traffic problem, \$2,600,000, and the use of one bridge. I am generalizing quite a bit here.

Mr. GORDON: This compensated us for relocation to a new point.

Mr. HORNER (*Acadia*): It was a really good deal on your part?



Mr. GORDON: I think so.

Mr. HORNER (*Acadia*): You realize that Saskatoon is the third largest growing city in Canada, but they would not have that kind of traffic problem for some years to come.

Mr. GORDON: They think so. This question was thoroughly debated in council, and as a matter of public information, over a long, long time, and it was approved by all concerned as being a good deal.

Mr. HORNER (*Acadia*): I think you made a good deal, but I do not think that the city did.

Mr. GORDON: Thank you. Put that on *Hansard*, please.

Mr. STENSON: Have you any plans for development at Peterborough?

Mr. GORDON: I could not answer offhand. I would have to check the records. I do not recall any Peterborough development at the present time.

Mr. DEMCOE: There is not too much, just the station area and the right of way through the community.

Mr. STENSON: Have you bought property outside of Peterborough?

Mr. DEMCOE: Not that I know of.

Mr. STENSON: If the Canadian Pacific had bought property would you work with them in a development there?

Mr. GORDON: It would depend on what it was.

Mr. STENSON: I suggest it might be to take the central station out of the centre of the city. We have a small city with perhaps 150 level crossings.

Mr. GORDON: It would depend entirely on what the proposal was. I would not like to say offhand.

Mr. STENSON: There is land being purchased just outside the city, and I understand the Canadian National Railways are purchasing it.

Mr. GORDON: I do not recollect it, but it could be.

Mr. STENSON: Do you work with the Canadian Pacific in these projects around small cities?

Mr. GORDON: I cannot remember a case where it has been feasible. But certainly there is no policy objection to it. Whenever a joint interest is involved, certainly we would work jointly with the Canadian Pacific.

Mr. SOUTHAM: I have just one question to ask for general information under real estate. We have heard recently about a proposal to remove the Union Station at Ottawa to some other area. Are you co-operating with the Canadian Pacific in this project?

Mr. GORDON: Yes. It has all been worked out under the direction of the federal government. The relocation comes about in connection with the national capital development plan of the government over many years, through their agency, the federal district commission. I believe it is now known as the national capital commission. They have developed a plan which involves both the Canadian National and the Canadian Pacific, and the station is to be relocated. The plans have been agreed to.

Mr. SOUTHAM: Is there any time set for completion of this plan?

Mr. GORDON: It is intended to be completed before the centennial year anyway, about 1966. It is part of the centennial approach.

Mr. SOUTHAM: Thank you.

Mr. BROWN: There have been some questions asked about real estate development. I would like to ask a question about industrial development.

The CHAIRMAN: Very well.

Mr. ROCK: No, not unless there are no more questions on real estate.

Mr. LLOYD: I suggest that we now go to the subject of industrial development. I have no further questions on real estate.

The CHAIRMAN: I sense the feeling of the committee. Very well, Mr. Brown.

Mr. BROWN: Can you tell me whether there is railway development planned at Brantford, Ontario, at the present time?

Mr. MILLAR: No, no. That is a depressed area.

Mr. GORDON: The railway developments we refer to are not really railway developments. We are merely speaking of 356 plants of various types of operation which have located at points adjacent to our lines. That is all. They are not our developments.

Mr. BROWN: Do you mean that they are municipal developments?

Mr. GORDON: No, private companies, factories, manufacturing plants, warehousing, or anything of that sort. Through our Industrial Development Department we try to induce people. If we hear of someone who is thinking of relocating his plant, or going into a new business. If we hear about it we call upon him and endeavour to persuade him that location adjacent to the Canadian National is the best place for him. But it is entirely his development and not ours.

Mr. BROWN: Have you done any of that work in Brantford, Ontario, and suggested industrial development to firms there?

Mr. GORDON: I could not answer that specifically. I would have to look at my files again. But it is a regular service offered to any person.

Mr. BROWN: Has there been a private complex established there in 1963, do you know, approaching new industrial firms?

Mr. GORDON: In Brantford?

Mr. BROWN: Yes.

Mr. GORDON: Do you know, Mr. Demcoe?

Mr. DEMCOE: No, I have no information about that here.

Mr. GORDON: We have mentioned in our report that we have provided 248 private sidings for these new plants and expansions. I do not have the list of where they are at the moment. We service Massey-Ferguson plant near Brantford.

Mr. BROWN: Yes.

Mr. GORDON: That is a good example. Some years ago Massey-Ferguson was considering locations at four, five, or six different places, and through our efforts—mind you, we cannot prove it—we approached them along, I am sure, with our competitors, and we showed them the advantages which were theirs by such a location adjacent to our line. I would not claim credit for it, but that is the direct result of it. It certainly was significant that they should decide upon Brantford after we talked to them.

In our Industrial Development Department we have a service whereby we analyse almost any place in Canada to which we provide service, and we give information about the characteristics of that particular place. It may be as to the availability of labour, as a source of good water, the availability of wood, or it might be anything affecting that particular area. Then when we hear of people looking for a location, we get in touch with them and provide a brochure giving all the available information that we can about particular areas that we have in mind.

Mr. BROWN: Do you find that many industrial firms are making use of your facilities?

Mr. GORDON: Yes, we have quite a number of requests along that line.

The CHAIRMAN: Does that conclude questioning on the paragraph "industrial development"?

Mr. LLOYD: No, I have been waiting for an opportunity.

The CHAIRMAN: Very well, Mr. Lloyd.

Mr. LLOYD: My questions previously had to do with real estate.

The CHAIRMAN: Do you wish to put more questions on real estate?

Mr. LLOYD: I wish to put questions concerning industrial development. I noted in the report, Mr. Gordon, that the "Canadian National continued to provide existing and prospective customers with a comprehensive industrial location service aimed at attracting new resource, industrial and commercial development in areas served by the system." In this field of industrial development you of course would be looking also towards generating railway traffic. Do you endeavour to generate traffic through promotional work abroad in the Canadian National Railways?

Mr. GORDON: Abroad?

Mr. LLOYD: Yes.

Mr. GORDON: In the United States, for example?

Mr. LLOYD: Or Great Britain or France?

Mr. GORDON: Yes, wherever we hear of an interest being expressed, we have through our various offices abroad a means of keeping in touch with it.

Mr. LLOYD: Does the Canadian Pacific have an advantage over you in that respect?

Mr. GORDON: One fine example, as Mr. Vaughan has reminded me, is the plant at Truro, the carpet plant there, which came about as a direct result of our talks with the people concerned.

Mr. LLOYD: You mean that it came about through the promotional efforts of the Canadian National?

Mr. VAUGHAN: We think so in this case, but we do not claim all the credit. There was something done by our people in London.

Mr. LLOYD: You will agree that I was correct in the way it was said. May I ask if Industrial Estates entered into this deal?

Mr. GORDON: We were in contact with them. We talked to them and demonstrated that Truro was a good place. We gave them all the information that we could, and some time after we had done that, whether there was somebody else or not, I do not know—

Mr. VAUGHAN: Industrial Estates in Nova Scotia of course had a lot to do with it.

Mr. LLOYD: Does the Canadian Pacific have an advantage over you in generating traffic since they operate the Canadian Pacific Shipping Lines?

Mr. GORDON: Yes, I would say perhaps, but again perhaps not as much as might appear to be the case, because we have close contact with other shipping lines, and it may be for that reason, through those contacts, that we do just as well. But I think you could take it as a superficial assumption that because Canadian Pacific run their own shipping lines they get a measure of traffic to a greater extent than we do.

Mr. LLOYD: Have you ever attempted to make some kind of agreement with the shipping lines?

Mr. GORDON: Oh, yes, we have agreements with various lines.

Mr. LLOYD: Do these agreements provide for the payment of subsidies toward their operation?



Mr. GORDON: No. I am not aware of any in that regard. These are simply business associations whereby they direct traffic to us and we direct traffic to them.

Mr. LLOYD: Recently I made an inquiry directly to your office in Montreal through the Department of Transport. I believe many years ago there was a payment of \$100,000 and whether it was per annum or not I do not know.

Mr. VAUGHAN: I answered that letter.

Mr. LLOYD: The payment was made to the Cunard company.

Mr. VAUGHAN: I answered the letter to which you are referring.

Mr. LLOYD: I do not know whether you answered it or not. I am only allowed to ask questions here.

Mr. VAUGHAN: All I am saying is that you said you directed a letter to us through the Department of Transport and I answered the letter. Mr. Gordon may not have seen the letter. That is all I am saying.

Mr. LLOYD: I do not care whether he saw it or not. If he wants to ask you to answer the question that is fine. I understand some years ago there was \$100,000 paid to the Cunard Steamship Company to maintain the traffic to Halifax; is that correct?

Mr. GORDON: I received no such letter. Do you remember Mr. Vaughan answering a letter you received along those lines?

Mr. VAUGHAN: Yes. I had an inquiry from the Department of Transport asking me to endeavour to look back in our old records to find out what this situation involved. We went back in our records to the 1920's.

Mr. LLOYD: We have established the fact that you are aware of this situation?

Mr. VAUGHAN: Yes, I am aware of it. I do not have the letter here. There are thousands of letters received.

Mr. LLOYD: Yes, and there will be thousands of questions until we get the right answers.

Mr. VAUGHAN: What is your question?

Mr. LLOYD: My next question is, as I understand from the correspondence, Mr. Vaughan, you are familiar with this subject?

Mr. VAUGHAN: I do not have the letter here. I went to quite a bit of trouble to get the information for you.

Mr. LLOYD: You do not recall any of it?

Mr. VAUGHAN: Yes, I do. I recall it but I do not have the letters here.

Mr. LLOYD: If you will just wait for the question you may be able to answer it.

Mr. VAUGHAN: Well, let's hear it.

Mr. LLOYD: Was there then a payment made to the Canadian Pacific Railway in the form of an annual subsidy to produce traffic?

Mr. VAUGHAN: This situation was back some time ago, as I remember it, and if you have the letter there perhaps I can refresh my memory.

Mr. LLOYD: I have not got the letter. I am not spying on you, I am looking for information.

Mr. VAUGHAN: Let us have your question and I will endeavour to answer it. If I cannot do so I will get the information over night and give it to you.

Mr. GORDON: I have not heard the question yet. I do not know what your question is.

Mr. LLOYD: I am trying to establish whether anywhere in Canada or abroad today you do make such payments, as you did years ago, to steamship lines for the purpose of maintaining service to particular points at the end of your lines in an attempt to develop traffic of an international nature.

Mr. GORDON: I do not think so.

Mr. VAUGHAN: This information is part of history and goes away back.

Mr. LLOYD: You do not do that today in any event; is that right?

Mr. VAUGHAN: I do not think so. We do have an association with Cunard.

Mr. GORDON: Yes, we have an arrangement with Cunard and we have an arrangement with the Manchester line. When we were operating the Canadian National West Indies Steamships there were certain subsidies that were payable in that connection. I cannot recollect any direct payments such as you mention for the purpose of obtaining traffic. I am not aware of any.

Mr. LLOYD: Perhaps Mr. Vaughan could advise you of the letter he indicated he wrote covering the history.

Mr. VAUGHAN: I do not have it with me.

Mr. LLOYD: Surely I am entitled to say that there was such a practice in the past in view of the fact I have been informed of this by your department?

Mr. VAUGHAN: That is correct.

Mr. LLOYD: I was so informed through the Department of Transport and I am simply asking you whether that practice is being continued today.

Mr. VAUGHAN: Not that we know of, no.

Mr. LLOYD: I prefaced this remark by asking you whether the C.P.R. had an advantage over you in the generation of rail traffic because it operated steamship lines, and your answer was that you thought generally one would say this was so. Did you ever contemplate perhaps adopting policy similar to the Canadian Pacific Railway, establishing steamship line services which would generate traffic on the railways?

Mr. GORDON: Yes.

Mr. LLOYD: Is that economically feasible?

Mr. GORDON: We do not think so.

Mr. LLOYD: You have made extensive studies before establishing that fact?

Mr. GORDON: Yes.

Mr. LLOYD: You compete with C.P.R. operations in Saint John?

Mr. GORDON: Yes.

Mr. LLOYD: The C.P.R. ships call at Saint John?

Mr. GORDON: Is that an assertion or a question?

Mr. LLOYD: I presume a good deal of traffic you carry to and from Saint John is carried by C.P.R. ships.

My next question deals with the paragraph headed "Industrial Development" in which you state there are 356 resource developments, manufacturing plants and major warehousing and distributing facilities in locations served by the Canadian National freight services.

You mentioned a minute ago there was one in Truro. How many of these 356 developments took place in Nova Scotia, for example?

Mr. GORDON: I have the figure for the Atlantic region, which shows 35. I might as well complete it all.

Mr. LLOYD: Do you have them by regions?

Mr. GORDON: Yes, I do. The figures are 35 in the Atlantic; 89 in the St. Lawrence Region; 88 in the Great Lakes Region; 52 in the Prairie Region; 92 in the Mountain Region, for a total in Canada of 356; 42 in the Grand Trunk Western Region, for a total for Canada and the Grand Trunk Western Region of 398.

Mr. LLOYD: I suppose many of these were developed in association with others, that you made your contributions to the effort to bring about these developments and these were not all solely yours?

Mr. GORDON: No, I have not claimed this is solely as a result of our actions. We make efforts to interest people to come on our line to the fullest extent we can.

Mr. LLOYD: Do you have a research department which inquires into the potential industrial developments of any region or do you rely mainly on promoting the information about the region you are serving?

Mr. GORDON: If I might read the first sentence in our report at page six, it says:

Canadian National continued to provide existing and prospective customers with a comprehensive industrial location service aimed at attracting new resource, industrial and commercial development in areas served by the System.

Mr. LLOYD: Yes. In respect of this comprehensive service which you provide I was wondering if you included research studies which would indicate potential industrial possibilities?

Mr. GORDON: Well, that is the purpose of it. There is a market research associated with this, and we will try to produce any information we can to encourage people to locate on our lines or adjacent to them.

Mr. LLOYD: I suppose a good deal of this potential data you need is available to you from other sources as well?

Mr. GORDON: Oh, yes, it comes through all sorts of sources.

Mr. LLOYD: And, you attempt, through this department, to co-ordinate this information?

Mr. GORDON: Yes. This information comes through trade journals, municipalities and all sorts of things.

Mr. LLOYD: Do you promote interest in this abroad?

Mr. GORDON: Yes.

Mr. LLOYD: As well as in Canada?

Mr. GORDON: Yes.

Mr. VAUGHAN: There was such a survey done in Halifax, which you may remember.

Mr. LLOYD: Which one was that?

Mr. VAUGHAN: One of these industrial surveys we are speaking of. It is part of the public record down there and I would be glad to send you one if you want to read it.

Mr. LLOYD: I have seen the one you are talking about but it is not it that was questioning; it does not go as far. It is a general statement.

Mr. VAUGHAN: I was wondering whether that was what you are talking about.

Mr. LLOYD: This is a well put together document, and contains a statement of opportunities that exist within established operations.

Mr. GORDON: Yes.

The CHAIRMAN: Would you proceed, Mr. MacEwan.



Mr. MACEWAN: I believe a recent one was done in the Pictou county area.

Mr. GORDON: Yes. There have been quite a few done in Nova Scotia.

Mr. LLOYD: I was wondering how effective they are?

The CHAIRMAN: Shall we carry this item?

Some hon. MEMBERS: Carried.

The CHAIRMAN: Tomorrow we will meet at 10 o'clock.

Mr. HORNER (*Acadia*): How about 9:30, Mr. Chairman?

The CHAIRMAN: No, we have a steering committee meeting at 9:30.

The committee adjourned.

Canada Parliament  
HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, JUNE 18, 1964

FRIDAY, JUNE 19, 1964

Respecting

ANNUAL REPORT—CANADIAN NATIONAL RAILWAYS

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WITNESSES:

The Honourable John Whitney Pickersgill, Minister of Transport.  
From the *Canadian National Railways*: Messrs. Donald Gordon, President;  
R. T. Vaughan, Secretary; J. L. Toole, Vice-President, Accounting  
and Finance; J. W. Demcoe, Vice-President, Transportation and  
Maintenance.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

*Vice-Chairman:* James Brown, Esq.

and Messrs.

Addison	Foy	Mackasey
Armstrong	Godin	Marcoux
Balcer	Granger	Matte
Basford	Grégoire	McBain
Beaulé	Guay	McNulty
Béchar	Hahn	Millar
Bell	Horner ( <i>Acadia</i> )	Olson
Berger	Howe ( <i>Wellington-</i>	Orlikow
Boulanger	<i>Huron</i> )	Pascoe
Brown	Irvine	Prittie
Cadieu	Kennedy	Rapp
Cameron ( <i>Nanaimo-</i>	Kindt	Regan
<i>Cowichan-The Islands</i> )	Korchinski	Rhéaume
Cantelon	Lachance	Richard
Cantin	Lamb	Rock
Cooper	Laniel	Ryan
Cowan	Latulippe	Southam
Crossman	Lloyd	Stefanson
Crouse	Lessard ( <i>Saint-Henri</i> )	Stenson
Émard	Macdonald	Tucker—60.
Fisher	MacEwan	

(Quorum 12)

Maxime Guitard,  
*Clerk of the Committee.*



## MINUTES OF PROCEEDINGS

THURSDAY, June 18, 1964.

(6)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:00 o'clock a.m. this day. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Messrs. Balcer, Beaulé, Bell, Brown, Cadieu, Cantin, Cowan, Crossman, Crouse, Fisher, Grégoire, Guay, Horner (*Acadia*), Howe (*Wellington-Huron*), Irvine, Kennedy, Lamb, Lloyd, Lessard (*Saint-Henri*), Macdonald, MacEwan, Marcoux, Millar, Pascoe, Prittie, Regan, Rhéaume, Richard, Rock, Southam, Stefanson, Stenson (32).

*Also present:* The Honourable John Whitney Pickersgill, Minister of Transport.

*In attendance:* From the *Canadian National Railways*: Messrs. Donald Gordon, President, R. T. Vaughan, Secretary, J. L. Toole, Vice-President, Accounting and Finance, J. W. Demcoe, Vice-President, Transportation and Maintenance.

The Committee resumed consideration of the 1963 Canadian National Railways Annual Report, section intituled "Operations".

On motion of Mr. Grégoire, seconded by Mr. Beaulé,

*Resolved:* That section intituled "Operations" of the 1963 Canadian National Railways Annual Report be adopted as read.

Then the Committee began consideration of section intituled "Freight service".

And the examination of the witnesses continuing, at 12:20 o'clock p.m. the Committee adjourned until 3:30 o'clock p.m. this afternoon.

## AFTERNOON SITTING

(7)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 4:12 o'clock p.m. this afternoon. The Chairman, Mr. Richard, presided.

*Members present:* Messrs. Beaulé, Béchard, Bell, Cadieu, Crossman, Émard, Fisher, Horner (*Acadia*), Howe (*Wellington-Huron*), Irvine, Kennedy, Orchinski, Lachance, Lloyd, Lessard (*Saint-Henri*), MacEwan, Marcoux, Matte, Millar, Pascoe, Regan, Rhéaume, Richard, Rock, Stenson (25).

*In attendance:* The same as at this morning's sitting.

The Committee resumed consideration of section intituled "Freight Services" of the 1963 Canadian National Railways Annual Report.

On motion of Mr. Lessard (*Saint-Henri*), seconded by Mr. Beaulé,

*Resolved,*—That the Committee sit at 7:30 o'clock p.m. instead of 8:00 o'clock p.m. this evening.

On motion of Mr. Rock, seconded by Mr. Millar,

*Resolved*,—That section intituled "Freight Services" of the 1963 Canadian National Railways Annual Report be adopted as read.

And the examination of the witnesses continuing on section intituled "Passenger Services", at 5:53 o'clock p.m. the Committee adjourned until 7:30 o'clock p.m. this evening.

## EVENING SITTING

(8)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 7:42 o'clock p.m. this evening. The Chairman, Mr. Richard, presided.

*Members present*: Messrs. Beaulé, Brown, Cadieu, Cowan, Fisher, Granger, Horner (*Acadia*), Howe (*Wellington-Huron*), Kennedy, Lachance, Lamb, Lloyd, MacEwan, Matte, Millar, Pascoe, Prittie, Rhéaume, Rock, Stefenson, Stenson, Tucker, Irvine—(23).

*In attendance*: The same as at this morning's and as at this afternoon's sittings.

The Committee resumed consideration of the 1963 Canadian National Railways Annual Report.

Sections intituled "Passenger Services", "Telecommunications" and "Hotels" were carried unanimously.

On section intituled "Personnel and Labour Relations", at 10:33 o'clock p.m. the Committee adjourned for lack of quorum, until 9:30 o'clock tomorrow.

FRIDAY, June 19, 1964.

(9)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:37 o'clock a.m. this day. The Chairman, Mr. Jean T. Richard, presided.

*Members present*: Messrs. Armstrong, Beaulé, Béchard, Bell, Cadieu, Cooper, Cowan, Crossman, Émard, Fisher, Granger, Grégoire, Horner (*Acadia*), Lachance, Lamb, Latulippe, Lloyd, MacEwan, Matte, Millar, Pascoe, Prittie, Rapp, Rhéaume, Richard, Rock, Southam, Stefanson, Stenson, Tucker—(30).

*Also present*: The Honourable John Whitney Pickersgill, Minister of Transport.

*In attendance*: From the Canadian National Railways: Messrs. Donald Gordon, President, R. T. Vaughan, Secretary, J. L. Toole, Vice-President, Accounting and Finance, J. W. Demcoe, Vice-President, Transportation and Maintenance.

The Committee resumed consideration of the 1963 Canadian National Railways Annual Report.

Sections intituled "Personnel and Labour Relations" and "The Outlook" were carried unanimously.

The complete 1963 Canadian National Railways Annual Report was carried unanimously.

The following were also carried unanimously; namely: The Canadian National Railways Auditor's Report to Parliament for the year ended on December 31, 1963; The Canadian National Railways Capital and Operating

Budgets for the year 1964. The Annual Report of the Canadian National Railways Securities Trust for the year ended on December 31, 1963.

Mr. Rhéaume moved, seconded by Mr. MacEwan,—That the Committee sit at 4:00 o'clock p.m. on Monday, June 22, 1964 to consider the Trans-Canada Air Lines Annual Report. The said motion was agreed to unanimously.

At 10:58 o'clock a.m. the Committee adjourned until 4:00 o'clock p.m. on Monday, June 22, 1964.

Maxime Guitard,  
*Clerk of the Committee.*

*(Please note, that all the evidence adduced in French and translated into English, for the sitting of June 19, 1964 was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)*





## EVIDENCE

THURSDAY, June 18, 1964.

(Text)

The CHAIRMAN: Gentlemen, we are now concerned with operations, but before proceeding I would like to remind you that we have three meetings today and the hope has been expressed that we may finish our business today. If we stick to our business and do not wander far afield we may be able to do so.

Mr. HORNER (*Acadia*): Do not look at me, Mr. Chairman!

The CHAIRMAN: I have been accused of allowing some members to run far afield. I think we can complete our business today if we stick to the pertinent matters. I hope by diligent attention to the matter before us, which is the annual report of Canadian National Railways, we can complete our work today, or tomorrow at the latest.

Our discussion now will be concerned with the item dealing with operations, on page six of the report. Are there any questions on this?

Mr. PASCOE: In relation to operations, the report speaks of the car repair shop under construction in Saskatoon. Will that accommodate the car repairs for a large part of the western area?

Mr. J. W. DEMCOE (*Vice President, Transportation and Maintenance*): That will take care of the running repairs of any cars. Any cars in bad order in the Saskatoon area will be repaired in this new shop we are building.

Mr. PASCOE: When you refer to the Saskatoon area, how large an area do you mean?

Mr. DEMCOE: I am referring to all trains coming in or going out of Saskatoon.

Mr. FISHER: With regard to operations, I would like to get into a subject which is familiar to you, Mr. Gordon, and to Mr. Demcoe; that is, the question of run throughs.

I had thought that as a result of what took place last August the plans regarding run throughs have been postponed rather indefinitely. Early last month I received word that one was planned with engine crews for Nakina and I have since, through railway union representatives, received a letter written by Mr. Warden from the office of Mr. Bloomfield, the manager for Capreol, Ontario, on May 21, 1964, to the General Chairman of the operating brotherhood. I would like to put on record a couple of paragraphs from that letter:

You will recall that at our meeting in Toronto, May 20th, the problem of the impending shortage of firemen at Nakina was discussed in some detail.

As you are aware, the only solution open to us within the current agreement is an application of article 39, rule A, as amended by memorandum of agreement signed at Montreal, Quebec, February 1, 1955 (referred to as the union dues agreement) which would force the senior demoted engineers on the promotion district to Nakina for as long as the shortage exists.

In our discussion it was recognized that forcing men to locations undesirable to them for indefinite periods of time imposes a hardship

on the men involved and creates an atmosphere not conducive to good labour-management relations.

We would like to propose an alternative that eliminates that hardship and at the same time provides a solution to the uncertainty surrounding the long term future of Nakina. The proposal in brief is that run through operation be gradually and progressively introduced between Hornepayne and Armstrong as attrition and/or increased traffic render the employees presently located at Nakina unable to handle it.

In other words, the men presently located at Nakina would remain at Nakina and be permitted to earn maximum monthly mileage, but work which they could not handle on a year round basis within mileage allowances would be manned by Hornepayne men from Hornepayne to Armstrong. Logically trains 1-2-9 and 10 would be introduced first with other trains following in order of preference working conditions as attrition at Nakina and/or increased traffic dictated.

There are several other paragraphs, but those are the ones I would like to have included in the record. That is signed by R. A. Warden, operations manager.

There are two factors involved in this, Mr. Gordon, about which I would like to know more. One is the whole question of the railway plans with regard to those parts of the system where there is a shortage of firemen and those parts of the system where there is a surplus; that is, what you plan to do about this, particularly from the point of view of bringing on your supply of engineers.

The second question is: Where do Canadian National Railways stand on run throughs, particularly for front end crews, on its whole system in western Canada and in the area I mentioned?

Mr. GORDON: This is one of the operational and transitional problems that is very live and arises, as you know, basically out of the new operating requirements that have emerged. We have put in the diesel locomotive and taken advantage of the resultant greater flexibility. We have been trying to work very closely with the labour representatives in each particular area, and our local officials have been trying to work it out on as reasonable a basis as possible but it is, as I say, a transitional problem that will eventually have to be met. With the advent of the movement of the crops, we held up the plans that we had for last year. We were so occupied with the new difficulties in regard to the movement of wheat that we just put the whole thing aside for that period, but it is something that will have to be worked out because we must arrange the operational aspects of it to fit the requirements of running the trains.

In regard to the supply of enginemen—I should say that they will not necessarily come from the firemen. We will have a system of training that will produce engineers for us as and when required. But since this is an operational matter, Mr. Demcoe, perhaps you can add something to what I have just said.

Mr. DEMCOE: I think you have covered the situation.

Mr. FISHER: At certain points in your system I understand almost half the trains are running without firemen now. This is part of the general agreement. However, at other places, there is a surplus. There are firemen available to be called. In the Nakina situation, you have the shortage of firemen being put forward as one of the reasons for introducing a run through. Obviously that shortage could be met very easily by allowing some of the firemen from some of the surplus areas to be transferred up there.

I gather from my conversations with the employees—and, as you know, these are informal, they are random, and there is nothing coherent about them—I certainly sense that their view is that they would much prefer this to having a run through.



Mr. DEMCOE: I think this situation at Nakina is where they are now requiring enginemen. There are insufficient enginemen at Nakina. In order to get them we are required to send our firemen who are classed as enginemen at Toronto, Allandale and Capreol to Nakina. These individuals, or many of them, do not want to go to Nakina for two, three or four months.

Mr. FISHER: But then the people who are at Nakina do not want to find themselves in a run through either, and here again we are back to the question I brought up repeatedly, Mr. Gordon. In these smaller communities—and Biggar is a good example, and Nakina—there is a feeling that the community situation and the real estate situation of the employees have played no part in the considerations of management in these terms. I do not know what is the best solution for this. You want to take advantage of the equipment in the new processes you have introduced. It is understandable that the men object when it is going to mean personal loss and hardship for them, and that is the reason why they might perhaps drag their feet. You know, I imagine that if your run throughs are announced again for August of this year—and I am sure Mr. Cooper and other members of parliament from the areas concerned will tell you just what will happen—cries will go up and delegations will come down here and we will go through the whole routine again. I would like to know why this whole question of run throughs cannot be approached on a more thorough-going basis than that on which you have dealt with it at the present time.

Mr. DEMCOE: The situation is actually different at Biggar from that at Nakina. Biggar is a turnaround point, and we have accommodation for the men there. Nakina is a home terminal and the people who work out of Nakina have their own homes, as you have just stated. There are two different problems there.

Mr. FISHER: There are two different problems, but from the railroader's point of view it is the same; that is, it is the resistance to the run through.

Mr. DEMCOE: No.

Mr. GORDON: Not in every case. I have been into this matter and I have had a number of discussions about it. It is not a problem that will yield itself to an over-all solution, and it has to be worked out pretty much in terms of the local facts. In some cases we have very little trouble, and the men are quite happy to make the change because in some cases it gives them an advantage. One fellow may get an advantage, and another fellow may not. It is one of those very difficult situations that we just have to keep pecking away at in the light of the circumstances at the different places involved. They are not the same kind of run throughs either, as I understand it. There are different circumstances in that respect, and there are different circumstances applying to the home terminal, and things of that kind. We had a great deal of difficulty at Redditt some years ago, but that has all been worked out and the men affected are quite happy with it; they prefer their present situation to the one that existed before.

As in all these matters of change, the first reaction is always difficult because the men are apprehensive when there is a change in regard to their living and working conditions. We find that when we are able to get the system working, they see certain advantages that just had not occurred to them before. I do not think I can give you any better answer than to say it is one of those problems that is best left in the hands of the local officials and the local union people, and it will gradually work itself out. It will be a continuing situation in regard to individual situations that will be difficult.

Mr. FISHER: I will put it to you from the selfish point of view. I would rather see the run through go from Nakina westward to Sioux Lookout. Can you tell me why the decision was made to develop the run through on the basis of Hornepayne to Armstrong?

Mr. GORDON: That is exactly what I mean; we have to get the individual facts, and I am afraid I cannot do it. It will be the local officials there who will give us the details, and we would have to look at each situation depending upon its own particular set of facts. Do you happen to know this particular one, Mr. Demcoe?

Mr. DEMCOE: One of the main reasons is that there are two agreements. There is the east agreement and there is the west agreement, and the dividing line is at Armstrong. That is one of the main difficulties. By having the crews run from Hornepayne to Armstrong, we have it all in the eastern territory and covered by the eastern agreement.

Mr. FISHER: I am vitally interested in this because it means the economic well-being of one of the communities in my riding. If the seniority problems in connection with the western and eastern divisions could be worked out, it would be greatly to the advantage of Nakina. There is no real economic alternative for those people there, or for the community which has its investment there, and there would be great advantages to be snatched from it. I do not see that it would harm the other places involved—Hornepayne and Sioux Lookout.

Mr. DEMCOE: The discussions our area people have had with regard to Armstrong and Nakina as the run through points resulted in the discovery that apparently the employees in those territories prefer the run through Nakina to Armstrong.

Mr. FISHER: I take it, Mr. Gordon, from what you have said, that your policy now is to approach these questions strictly on a regional basis rather than the basis of a year or two years ago, which was an over-all change at one time.

Mr. GORDON: That is right.

Mr. FISHER: Why did you change the policy?

Mr. GORDON: Because of the fact that when we tried to do the thing that you suggested earlier—to have an over-all policy—we ran into local situations that did not yield to an over-all solution, and it was far better, we found, to use a transitional period to have discussions with the union representatives and the men to apply specifically not only to the point itself—the operating condition of that point—but to the men themselves.

Mr. FISHER: Can you tell me candidly whether, in terms of the agreements that exist at the present time, you can put these changes through unilaterally?

Mr. GORDON: Yes, everything we are doing is within the scope of the wage agreement affecting the particular men. In each case we scrupulously observe the over-all agreement as it affects transfers, seniority, and so forth, anything affecting the men.

Mr. FISHER: When you make a move from London of 400 employees, that is a large blow to a community in terms of income and everything else, but London is a large community. However, these small communities depend almost entirely upon the railway. Nakina was created by the railway and the whole community was established, as it were, as a company-created organization.

Mr. GORDON: That is perfectly true and, as I have said many times, all these situations have arisen out of the impact of the diesel locomotive, and the changes which resulted from giving up steam locomotives. The fact is that the steam locomotive called for an operating situation where we had terminals almost every 130 to 150 miles. If we do not deal with the situation now, we will never be able to readjust the railway to the whole impact of the change to diesel.



Mr. FISHER: But have you no possibility at all of introducing the principle of some kind of compensation or some kind of assistance for these employees? Let me give you an example of one engineer I know who would be affected by this. He has a home in which he has put about \$8,000 to \$9,000—possibly a little more, but that is my estimate of it. The value of that place, if the running crews are moved out of there, tumbles down to about \$2,000 because there just is no other basis. Now the main difficulty, the main resistance, really, hinges around the very substantial economic loss that these people suffer, and yet there has never been any indication on the part of Canadian National Railways that they are prepared to look at this solution.

Mr. GORDON: That question has been talked about again and again. It is almost impossible to find a principle that will meet a situation of that kind because every year there are differences in communities that might give rise to claims that people have been affected economically, and the value of property, and so forth, and I just do not know where we draw the line. Moreover, the general questions, as you know, has been one of great discussion in regard to amendments to the Railway Act, and so forth.

Mr. FISHER: As you know, this committee last year approved the principle.

Mr. GORDON: That is right.

Mr. FISHER: As you know, this committee approved the principle last year.

Mr. GORDON: I just do not know how to deal with it apart from meeting the situation as a general railway industry matter. I suggest that there cannot be special consideration in connection with the C.N.R. only.

Mr. FISHER: I would take it then from your remarks that if it were introduced as a principle, with the force of a statute approved by the House of Commons, you would be prepared to work within that framework.

Mr. GORDON: We will always obey the law if it becomes effective, but you must remember this is a general question which raises a very important matter of principle on whether legislation of that type to correct inequities should be applied to the railway industry only, or to have the general principle apply to other industries as well.

Mr. FISHER: I am very pleased the Minister of Transport is here because we can ask him what has happened to the recommendations of last year's committee on this matter.

Hon. J. W. PICKERSGILL (*Minister of Transport*): My attitude is that the matter is under very active consideration at the present time.

Mr. HORNER (*Acadia*): Is legislation being proposed and prepared by the government along these lines?

Mr. PICKERSGILL: On that point I would say I would feel that to prepare any more legislation than we have already prepared for the present session of parliament before we see some legislation disposed of that is now before us would seem almost to be an academic exercise. The principle involved here is so far-reaching that I think it would be very difficult to contemplate applying very easily to the railways a principle that was not going to be applied to other aspects of the economy. This is a consequence of automation. It is true that there are many aspects of labour relations in the economy that are not under federal jurisdiction, where parliament could not legislate, but there are quite a number of aspects of the economy besides the railway that do come under federal jurisdiction. I think most of us are acutely conscious of the fact that the railways are not always in the most favourable economic position among the various carriers at the present time. I would ask myself a basic question which every member of parliament has to ask himself, whether



we feel that we should attempt to make the shippers pay for something. If it is to be a social policy, perhaps it should be paid for by the taxpayers. These are some of the problems that arise in this field.

Mr. HORNER (*Acadia*): This was dealt with a year ago in committee, and I take it from your remarks that you are opposed to the recommendations of the committee.

Mr. PICKERSGILL: No, I am not. I did not have the advantage of being a member of the committee at that time. I did not have the advantage of studying it as members of the committee have. However, as Minister of Transport I do think it is my duty to study this question and to study it very thoroughly, and that is what I am trying to do. But, I have always felt it was unwise for anyone to express a final opinion on something until he had formed that opinion. Speaking for myself, I have not formed a final opinion on the most appropriate way of dealing with this problem up to now, and certainly the government has not.

Mr. FISHER: Could I ask you a question? We tabled a report on this last year, but it was too late in the session for action to be taken on it. It could not even be moved technically, I think. If the committee dusted off that report and presented it again, could consideration be given to it?

Mr. PICKERSGILL: I think the committee is not an autonomous body—it is a committee. It would have to have instructions or directions from the house.

Mr. FISHER: Would you be prepared, as the government minister with initiative in this regard, to give us the chance to reintroduce it?

Mr. PICKERSGILL: I do not think, Mr. Fisher, it would be quite right for me as the only member of the government, on a matter that is not just transport policy but is a matter of broad economic policy, to express an opinion without consulting my colleagues.

Mr. FISHER: I would agree with that. Where do you and your colleagues stand at the present time with regard to the recommendation of this committee?

Mr. PICKERSGILL: As I told you, and perhaps I should have stopped right there, the matter is under consideration.

Mr. FISHER: That was last December; it is now six months later.

Mr. PICKERSGILL: The matter is still under consideration.

Mr. FISHER: Mr. Chairman, you can see from this long interval that has elapsed that we are willing to give the government and the ministry ample opportunity to consider this, but how long does serious consideration have to go on?

Mr. PICKERSGILL: That depends on whether I would think one feels at a certain time, or the government feels at a certain point, it has reached a viable conclusion. I think it would be much better, in this as in other fields—and I found this in the experiences of a long and misspent life—to make up your mind right rather than to make it up quickly and find you are wrong.

Mr. FISHER: Let us come back to Mr. Gordon.

Mr. HORNER (*Acadia*): Sixty days of decision?

Mr. PICKERSGILL: Almost 60 years. I will be 59 next week.

Mr. FISHER: To come back to Mr. Gordon on this question, it was really the opinion of the committee, the core of the committee's attitude, that it would be much better if these problems could be settled within the framework of management and union agreement.

Mr. GORDON: Yes.

Mr. FISHER: But the union witnesses we heard almost unanimously informed us they found it impossible, because of the attitude of management, to bring these kinds of questions within the scope of discussion.

Mr. GORDON: Perhaps I can help you in this. I do not know if you are aware of it but I am reminded here that the Department of Labour has established an advisory committee on technical change, and the first study they have deals with the technical change in skilled manpower. This committee is made up of personnel from the Department of Labour and representatives from industry, labour itself, and the universities. The purpose of this organization is to study the effects of technical change in major Canadian industries in all respects. On that committee senior officials of both railways have been appointed by the Department of Labour, and they are qualified men, and, as I have said, there are men from all branches of industry and labour. This committee is very actively at work. The question therefore is not being ignored; it is the subject of a very intensive study, and, as I say, they brought in people from the universities to get the scientific approach to it also. It is a major social question that reaches far beyond the narrow confines of the railway industry itself. That is why I am hesitant to pinpoint it in connection with the Canadian National. It is a much broader question than its effect on the Canadian National.

Mr. FISHER: But on this question of bringing these kinds of problems within the union management relationships, you have just completed a round of signings a month or so ago with the running trades. You are now in a similar situation with the non-ops. At least in the non-ops. situation you have a job security fund even though there is disagreement about it.

Mr. ROCK: Mr. Chairman, I have to interrupt. We are now on operations.

Mr. FISHER: What do you think this is?

Mr. ROCK: Yesterday we had the same thing, Mr. Chairman. Mr. Fisher yesterday squeezed in questions on labour relationships, and he is doing it again when we are dealing with operations. Let me point out that we have an item here called "personnel and labour relations" when he will be able to bring up these subjects. I plead with you, Mr. Chairman, that there be some sort of a rule down here that we stick to this report in the proper manner.

The CHAIRMAN: Yes, Mr. Rock. I will ask Mr. Fisher to relate his questions to the item under discussion.

Mr. FISHER: My question arose out of operations.

The CHAIRMAN: Mr. Fisher, I do hope we are not going into details of labour relations.

Mr. FISHER: This is germane to operations.

Mr. ROCK: What is Mr. Fisher going to do when we come to personnel and labour relations? Is he going to start it all over again?

Mr. FISHER: I am not going to start all over again. If you had been around in this committee you would have noticed that I do not go in for repetition. Once we get this out of the way, I will leave it alone.

Mr. ROCK: Maybe this is the reason why I bring this to your attention, Mr. Chairman.

The CHAIRMAN: I feel this was properly brought up, and I do not think Mr. Fisher intends to go into details of contracts.

Mr. FISHER: We had a committee last year that repeatedly dealt with the question of operations and the effects of changes on operations. It is not written into the report exactly, but in effect the report suggests that if this cannot be handled by the union-management relationships then we may need something else. I will ask Mr. Gordon the following question: We have had two rounds

of negotiations, one on ops. and one on non-ops., which have been signed. I understand that no development at all took place within that area.

Mr. GORDON: That is not strictly correct, Mr. Fisher. In the negotiations which we have with the running trades—which is what you have particularly in mind—this comes under the general question of work rules, and the agreements, each one of them, have a very complex set-up in respect of the impact of different kinds of work rules. In our negotiations we do include discussion in respect of any requests having to do with work rules, and it is discussed at that time. Now, the fact that we have signed agreements quite recently with all our operating trades is the best indication I can give you that the unions are satisfied with the attitude as of now because they have signed an agreement covering some changes in the work rules. I cannot recall what they are because they are very complicated. However, there were detailed and intensive discussions of the work rules. We finally reached a meeting of minds, and we have renewed the agreement. That is where the matter stands at present. It is always open to them, when a wage agreement is open for discussion, to raise once again in detail any portion of these work rules that they want to bring to our attention.

Mr. FISHER: Could I ask Mr. Pickersgill a question relating to this subject? Mr. Gordon has indicated that there is a Department of Labour task force of some kind studying this. Would the minister see any prospect that this committee, in view of what it studied last year, could have the Department of Labour group appear before it or could have some kind of meetings with it to discover just how they are approaching this specific problem?

Mr. PICKERSGILL: I believe the House of Commons has a committee on industrial relations, and I would have thought that if one were going to approach this question primarily from that point of view, that would have been a more appropriate committee before which to have the matter brought. It is a matter that I feel the Minister of Labour is much more competent to deal with than I am, and he has officials to deal with it who are more competent than I would be or any of the officials in my department, because in essence it seems to me that though we have been considering this in relation to the railways, it is the social impact of automation, and I have the impression this is about the biggest social problem we are faced with in the western world at the present time. I think it certainly merits the most thorough study. However, whether we have really reached the point where there is enough hard information about this to make it worth while having it go before a committee at the present time is something on which I do not think I could give an intelligent opinion.

Mr. FISHER: Are you prepared to look at the matter to see what way we can approach it? Do you accept that responsibility?

Mr. PICKERSGILL: I have always liked to think I was one of the more open-minded members of the House of Commons.

Mr. GRÉGOIRE: So you admit you did not find a solution to the automation problem?

Mr. PICKERSGILL: No, we did not.

Mr. GRÉGOIRE: Maybe we could make some suggestions, because we think we have the solution. Ask Mr. Gordon, he was the deputy governor of the Bank of Canada for a while.

Mr. FISHER: I would take it from what Mr. Pickersgill said that he, as the minister responsible in this area, is prepared to consider suggestions in which the House of Commons in one of its committees can carry on further discussions of this problem in relation to the Department of Labour studies that are going on.

Mr. PICKERSGILL: I would think it would be a very reactionary attitude to take a different view.



Mr. HORNER (*Acadia*): Mr. Chairman, Mr. Fisher has covered many of the questions I would have liked to ask in regard to run throughs. To sum it up, would you agree then that the run throughs in the western region will now be taken one at a time in a much slower way than what was attempted last year?

Mr. GORDON: Yes, and dealt with specifically by the local officials.

Mr. RHÉAUME: I have a supplementary question which I should like to ask while the Minister of Transport is here. It is in an area raised by Mr. Fisher. Mr. Pickersgill said it would be more or less academic to consider putting into any kind of legislation the recommendations of this committee of last year because of the volume of railway legislation that is already before the house. I raise this supplementary question at this point because the *Globe and Mail* says that the legislation the minister has prepared to be considered first is going to be shelved so that we can keep talking about the flag. I am wondering if the minister can confirm that. Could what he has prepared be shelved?

Mr. PICKERSGILL: I would think, Mr. Chairman, with respect, that perhaps we should stay in the committee within our terms of reference, and that the broad program of legislation in the House of Commons I do not think was referred to this committee.

Mr. RHÉAUME: I think, that when the minister says it is academic for us to ask questions about when the legislation is going to be prepared which this committee recommended, and he give us a reason, it is fair for us to ask him when it is going to be cleared.

The CHAIRMAN: The minister answered this question.

Mr. LLOYD: I have a supplementary question on this, and a suggestion. I think it has been clearly stated, and all are agreed, that the measures suggested by Mr. Fisher go into various groups of the political and economic system. We may be satisfied if this committee were to draw attention to the evidence of the people working on this, and this could be forwarded to the appropriate study committees. We could at least do that, that is point out today the particular problem of the railway employees, which is a good illustration, and what happens when there are major changes in some sector of the economy employing many people, and then put it forward as a matter which requires attention and study by the government. That would be proper procedure for this committee.

Mr. MACEWAN: I wanted to ask Mr. Gordon a question in relation to the problem of revisions of maintenance operations which is current throughout Canada and particularly in this case in the Atlantic area where changes were brought about and scheduled for the Atlantic area. The Minister of Transport was asked a question in the House of Commons on May 11. His parliamentary secretary brought forward this answer. It reads as follows:

This reorganization, which contemplates the extension of territories currently worked by track forces, decreasing the number of gangs and increasing the size of some crews, will ultimately result in a reduction of staff requirements.

I was wondering perhaps if Mr. Gordon could give us a few more details in that connection and tell us what actually has been carried out in the Atlantic area.

Mr. GORDON: Mr. Demcoe, would you make a comment on that and I then may add to it. However, I will see how you get along.

Mr. DEMCOE: Actually, with the improved track conditions and the laying of heavier rail, new ties and more ballast, we actually do not require the

same day to day maintenance that we have required in the past. At the present time we are experimenting with larger gangs to do heavier work over greater distances than what we have done in the past.

Usually our section gangs look after seven, eight or nine miles of railroad. Perhaps there would be three, four or maybe five men in a gang. We now are trying to organize gangs of about 20 to 25 men and hope that they, in turn, will take care of 40 or 50 miles of railway. The purpose of this actually is to get better productivity at a more economical cost.

Mr. MACEWAN: Have there been any men laid off as a result of this procedure?

Mr. DEMCOE: No, there is going to be no men laid off; it is just a re-organization.

Mr. GORDON: Just a moment now. This is not a commitment for all time; it is another aspect of automation and, eventually, it will have an impact on the number of men employed. But, in the course of making this arrangement so far as possible we are using the effects of attrition to cushion the changeover period as much as possible without having to lay men off. But, in the long run it will mean we will be using fewer men by reason of this automation principle. You had a footnote in that respect. Our general position on the railroad, in respect of this whole question, simply is that there should not be applied to the railroad industry anything that affects the social or economic system without having it apply to other industries as well. There should be a general recognition of help, assistance or adjustment in respect of the whole problem of automation and I say it should not be confined to the railway industry. It should be a general principle. That really is what the railway industry is saying.

Mr. MACEWAN: Up until the present time have any of these men in the Atlantic area had to move to other localities away from their own homes?

Mr. GORDON: Well, that would be part of the impact that is unavoidable. But, we are doing the best we can to look at each particular situation and to help out as much as we can.

Mr. MACEWAN: I would like to put a question in respect of C.T.C.-equipped tracks. I know that the report says 500 miles of track in the west have been C.T.C.-equipped this past year. I would like to ask where C.T.C.-equipped track will be installed this coming year?

Mr. DEMCOE: C.T.C. is being installed west of Edmonton, between Edmonton and Jasper; there is a little bit in the Saskatoon territory, and also just north of Toronto.

Mr. MACEWAN: And, where in the Atlantic area?

Mr. DEMCOE: There is nothing this year in the Atlantic area.

The CHAIRMAN: Would you proceed now, Mr. Millar.

Mr. MILLAR: Mr. Chairman, I imagine that my question should be directed to the Minister of Transport. I am making reference to Mr. Gordon's remarks a few minutes ago in respect of the displacement of personnel. We are all well aware that the government has set up a Department of Industry and probably one of the chief considerations of this department is the distribution of industry throughout the country and then subsidizing industry with the taxpayers' money in an effort to encourage them to go into areas that are classified as depressed areas; yet, on the other hand, we have a crown corporation such as the one Mr. Gordon is responsible for concentrating their activities in the larger centres. It would appear to me that you are taking it away with one hand and handing it back with the other.

I quite appreciate Mr. Gordon tries to operate his business at a profit and he cannot be responsible for the social problems of the whole Dominion of Canada but at the same time both of these things, in a sense, come under departments of government. I have in mind, for instance, the removal of the car shops from London and putting them in Montreal. Also, you took something out of the Atlantic provinces and put it in Montreal, and you took something out of Winnipeg and put it in Montreal, and then we have to turn around and pour the taxpayers' money back into such areas to subsidize them because they become depressed areas. I do not think that Mr. Gordon should have to answer that question, but I would like to have an answer to it.

The CHAIRMAN: Mr. Millar, I do not know on what basis Mr. Pickersgill should be requested to answer this question. You have made an observation which should be made—

Mr. MILLAR: This is true.

The CHAIRMAN: —In the House of Commons. I do not think that this committee is a place for you to pose your question.

Mr. MILLAR: The thing is, Mr. Chairman, that we come to this committee and put all these questions to Mr. Gordon when he is the victim of applying a policy for which government is responsible.

The CHAIRMAN: I think Mr. Gordon has explained—you referred to him as a victim—that he is not responsible for the situation.

Could we proceed with actual questions in respect of operations, if there are any left.

Mr. ROCK: Mr. Chairman, in respect of track and signals—

Mr. HORNER (*Acadia*): Are we going to proceed to that heading now?

Mr. ROCK: I was just asking. It seems to me that everyone has been moving all around.

Mr. HORNER (*Acadia*): Let us proceed with one heading at a time.

Mr. ROCK: Mr. Chairman, is the door open for questions to be directed in respect of any matter. It seems to me that this has been the case.

The CHAIRMAN: Order, please, Mr. Rock. I think it has been agreed that we call operations and I am willing to accept questions on any part of operations.

Mr. HORNER (*Acadia*): Mr. Chairman, will you put my name down, please.

Mr. ROCK: Did you say on operations?

The CHAIRMAN: Yes, you can put questions on any part of operations.

Mr. ROCK: Mr. Gordon, I note that you still have in many urban areas the old telegraph lines beside the track. You will recall that we had quite a severe sleet storm in the Montreal area and most of your lines were knocked down by that storm. Yet, your company replaced the same type of lines and used the same method of installation. But, in many country areas over which the same storm passed the Bell Telephone Company did not put back the poles or the old lines, such as you still have existing beside your tracks; they went underground. The Bell Telephone Company has stated that it is cheaper to maintain underground installations. I would like to know whether there is any intention of your company in the future to fall in line with the trend of installations in new developed areas, where the street lighting lines and power lines are placed under the ground behind the homes. Have you a far reaching program to do this in the urban areas for beautification purposes?

Mr. GORDON: That would be the objective in the long run but in modernizing our telecommunications gradually we intend to get as much as possible out



of the equipment. We do not want to scrap them for the sake of scrapping them, but we gradually will modernize these. If I might suggest, when a sleet storm occasions damage to such lines on railway property it is much more important that we get back into business at once in order not to tie up the railroad. So, first of all, we repair on a temporary basis much more quickly than the Bell Telephone Company because we cannot operate without our signals.

Mr. ROCK: But, have you a program in mind for modernizing this in the future?

Mr. GORDON: Oh, yes; that is part of our policy and we will do the very thing you have mentioned. But, we will do this gradually and try to get as much life as possible out of our existing facilities.

The CHAIRMAN: Mr. Horner, would you proceed?

Mr. HORNER (*Acadia*): Yes, Mr. Chairman. I have questions pertaining to track.

I was greatly concerned about the speech you made in Winnipeg and, as you said earlier, it was a speech that one could accept as C.N.R. thinking and C.N.R. future policy. On page 5 of this speech you said that today on a thin density railway branch line, on 60 to 70 miles of track the trucks can haul grain cheaper by road than the Canadian National operating on such a track. Could you give the committee a rule of thumb or estimate as to what it costs to maintain such a track on a thin density line?

Mr. GORDON: Well, that would call for a pretty searching examination of each particular place because it would depend, again, on the actual density of the line and the actual density of the traffic. We keep all our lines to a minimum standard of safety; in other words, no matter what happens there is one point at which we will not go below. But, I could not give you off-hand the cost, unless it is a specific situation. If you have a particular line in mind we could examine it.

Mr. HORNER (*Acadia*): I am not asking for a specific cost but an average rule of thumb. I do not agree with the fact you have no idea as to what this would be. I am sure that in the trucking industry a trucker will tell you it costs him so many cents a mile to operate a truck of a given standard size.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And, if the government hires an automobile they pay 10 cents a mile and that is it, and if you operate within that limit, all right. I am sure the railroad and you, as management, have a rule of thumb in regard to track maintenance on the prairies. I am not referring to the mountainous areas or, say, in Mr. Fisher's riding.

Mr. GORDON: We could get the average for you, if that is what you wish.

Mr. HORNER (*Acadia*): I am asking for an average rule of thumb for maintenance per mile of track on the prairies on those tracks which might be considered off the main lines.

Mr. GORDON: We would have to go back for that information. We would have to develop an average figure for that. But, I thought you had specifically in mind a figure attached primarily to branch lines.

Mr. HORNER (*Acadia*): I do not wish the maintenance costs for main lines but the average rule of thumb which you must use in equating the various problems in respect of transport and rail movement on branch lines.

Mr. GORDON: If you look at our branch lines you will see from the form I tabled that we estimate in each case the actual maintenance cost of that particular line. Now, the maintenance cost of line A would not necessarily have any relation to line B.

Mr. DEMCOE: That is correct.

Mr. HORNER (*Acadia*): I have attended several meetings in which railway management has presented figures and facts for various lines.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And, these facts and figures come out of the blue at these meetings and are presented there. No one else has figures at his disposal and unless a person knows all the details these figures really mean very little.

Mr. GORDON: But we detail that in the form I mentioned.

Mr. HORNER (*Acadia*): What I am requesting is a rule of thumb on branch line maintenance. Surely you can give this to me.

Mr. GORDON: I will have a look at it and see what our operating people say. But, what I am telling you is a matter of logic.

Mr. HORNER (*Acadia*): I know that it will vary from line to line in respect of the density of traffic.

Mr. GORDON: Yes, and the figure will vary in respect of the physical characteristics of the line as well.

Mr. HORNER (*Acadia*): Yes, it will vary in respect of characteristics of the line, but I am assuming that the prairies, in a sense, are all of one physical nature, generally rolling flat plains, a great country.

Mr. GORDON: As I understand your question, you want me to see if I can take all our branch lines, add up their maintenance costs and then divide that by the number of miles and say what the average is.

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: That could be done but I have not that figure here with me today.

Mr. HORNER (*Acadia*): But perhaps we could have it for the evening meeting.

Mr. GORDON: This evening, yes.

Mr. HORNER (*Acadia*): Or, perhaps this afternoon. I will forgo any further questions on that at this time.

Mr. GORDON: I will see what I can get. I will have one of my officials telephone back to see if the appropriate department can produce that on short notice. It can be produced, but the reason we do not produce it is that from the standpoint of management it really is worthless.

Mr. HORNER (*Acadia*): Well, in a speech you said that trucks can haul grain cheaper. You say in your statement that in the case of a line that carries entirely grain and where the total volume originated is about 1,000 box cars, the trucks can haul this cheaper. I know what it costs to haul grain in a truck 60 or 70 miles and I do not think that trucks can haul it cheaper. I want to know what your maintenance costs are on that 70 miles of line. It must be tremendously high.

The CHAIRMAN: Would you proceed, Mr. Millar.

Mr. MILLAR: I would like to get at the nub of this matter. At what point do you decide a truck can haul grain cheaper? How do you determine that?

Mr. GORDON: I can tell you that I know that all the statements I have made in that speech in regard to the costs are correct because we made sure they were correct before I was permitted to say so.

Mr. HORNER (*Acadia*): There is something wrong that the railway is doing if it is that high because I live along a thin density line, although it is moving a lot of traffic at the present time.

Mr. DEMCOE: You have to consider how you handle your grain, whether you go back with a freight train with 100 cars on branch lines and spot 10 here, 10 there and 10 at another place and then next morning pick them up loaded. But, generally, we go up there with 10 or 12 cars and we spot one car at each station and then go back a week later and pick up half of them, spot some more and then go back in another week and pick up the other half.

Mr. HORNER (*Acadia*): But, in his speech he is referring to 1,000 cars which, roughly speaking, is 20 cars a week. They are not going down with 10 cars once a week but with 20 cars and picking up 20 full cars a week or, in the alternative, 40 cars at the end of two weeks.

Mr. GORDON: Yesterday I had my cost accounting fellow here with me but he had to leave for an important meeting which he had. I am sorry but I thought that we were all finished with this.

Mr. HORNER (*Acadia*): We have just begun.

Mr. GORDON: He could have dealt with this and given our cost accounting approach.

The CHAIRMAN: Mr. Lloyd, would you proceed.

Mr. LLOYD: Mr. Chairman, this question which I am going to put may not be appropriate at this time and if this is the case you will rule me out of order. My question has to do with the purchasing practices. In operations, I notice, for example, that in 1963 the over-all operating expense, apart from interest and other charges, ran about \$693 million and capital expenditures, on page 24, by way of additions, amounted to \$127 million. Now, this is a very substantial quantity of purchasing power, Mr. Gordon.

The CHAIRMAN: Mr. Lloyd, do you not think this should be brought up on the budget later? We are discussing actual operations.

Mr. LLOYD: This is under the financial statements at the back. I am agreeable to defer it if you wish to defer it from operations.

The CHAIRMAN: That is right.

Mr. LLOYD: Very well.

(*Translation*)

Mr. GRÉGOIRE: I have a question concerning the CNR tracks. Mr. Gordon, have you had an opportunity of making the trip by train between Montreal and Jonquière-Chicoutimi, in the Saguenay, recently?

(*Text*)

Mr. GORDON: No, I have made no personal trips in the last year. I have not had time.

(*Translation*)

Mr. GRÉGOIRE: If you could, Mr. Gordon, you would realize that the track is a very poor one for passengers. It is probably one of the worst I know of. I think that track should be repaired or maintained in some way. Have you taken that into consideration in your plans for improving the tracks?

(*Text*)

Mr. GORDON: Well, we keep the maintenance, as I have said before, up to minimum standards. I have been over the line, though not recently, as I say, and I know the line of which you speak. I made a special trip on that a few years ago—and I got stuck on the line, by the way, during a snow storm. Basically, the line is a difficult one in terms of curvature and grading, and it would cost a terrific amount of money to bring it up to the standard that you apparently have in mind. What we are doing now is examining the situation and we are making small improvements year by year. However, basically, we have not a program with the idea of reconstituting the line.



(Translation)

Mr. GRÉGOIRE: But you are trying to do something each year so that in an unspecified number of years that track will be improved?

(Text)

Mr. GORDON: I would say yes.

(Translation)

Mr. GRÉGOIRE: In general?

(Text)

Mr. GORDON: Yes, and I would further suggest to you that the track is a better track today than it was ten years ago, so there has been some improvement along that line.

(Translation)

Mr. GRÉGOIRE: Is the freight traffic, or the passenger traffic, between Montreal and Chicoutimi-Jonquière sufficient to allow the Canadian National to invest money in improving the track?

(Text)

Mr. GORDON: No, the actual traffic is not heavy enough to really warrant a crash program, so to speak, in respect of improving the track. The traffic is fairly light, all things considered. However, we are making progress. That is the best answer I can give you.

(Translation)

Mr. GRÉGOIRE: How long do you think it will take to improve the entire track?

(Text)

Mr. GORDON: Well, there is improvement going on year by year but unless we engage in a crash program, as I say, and unless we were to spend a very large sum of money, the line would still not be of the standard, for instance, of the line between here and Montreal. We will never get it to that standard unless we are to spend many tens of millions of dollars on it. It is not our intention to reconstitute the line to that extent.

The CHAIRMAN: Mr. Beaulé.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I would like to address my question to the minister since Mr. Gordon referred me yesterday to the minister for a question regarding the project to build a railway line between Gaspé-Sainte Anne des Monts, which was abandoned. What were the major reasons for giving up that project?

(Text)

Mr. PICKERSGILL: Mr. Chairman, I am just wondering whether this is a matter that has been remitted to the committee. I do not object in the least to answering Mr. Beaulé's question but it does relate to an act of parliament; it does not really relate to the activities of the Canadian National Railways at all. The present government has made a decision not to proceed, at the present time at any rate, with the building of a railway there but instead to recommend to parliament that money be voted equal to the amount provided in that legislation for the amelioration of other means of transport in the region. I think I have said in the House of Commons that we have already engaged in some discussions with the government of Quebec with a view to having a very rapid acceleration of the Gaspé highway, parts of which are not in very good condition I am told. We are also looking into improvements in aerial communications. I think possibly

it is simpler for me to give that much answer rather than to raise a point of order, but I do not think, since the committee has been charged with discussing Canadian National Railways, that this would be the appropriate place to discuss this. I hope to reach some kind of conclusion that will enable the government to bring some supplementary estimates into parliament when we can have a full discussion on it.

(Translation)

Mr. BEAULÉ: I would now like to ask Mr. Gordon a question. Mr. Gordon, you are certainly aware of the fact that a passenger service between Quebec and Chicoutimi is obsolete, and that the passengers have to make a detour via Hervey Junction, get out at Hervey Junction during the night, and board the Montreal-Chicoutimi train. Are you thinking of making any changes in order to improve the passenger service between Quebec and Chicoutimi?

(Text)

Mr. GORDON: That question is under very active study now by our passenger department. We hope we will be able to improve it.

(Translation)

Mr. BEAULÉ: Now, you are aware that passengers have to pay more to get from Quebec to Chicoutimi via Hervey Junction because they travel a greater number of miles. I have written to Mr. Delâge about passengers paying more than they did before. Would it not be possible to retain the rate they used to pay when they travelled via Rivière-à-Pierre?

(Text)

Mr. GORDON: Well, all I can say at the moment is that the question is under examination and that phase of it also will be dealt with, but I am not prepared to give a complete answer to it now because, as I say, I have not the results of the study myself yet.

(Translation)

The CHAIRMAN: Mr. Grégoire.

Mr. GRÉGOIRE: To proceed with the matter of the track between Montreal and Jonquière-Chicoutimi, can we conclude from what you said earlier that the Canadian National carry out repairs or maintenance each year on the track between Montreal and Jonquière-Chicoutimi?

(Text)

Mr. GORDON: That is a general question in regard to our maintenance of the track. There is always a certain amount of maintenance work going on almost every year.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, I do not necessarily mean maintenance of the track, but improvement of the track so that it would be easier to use... no but in the past, could it be said that you improve it each year? Are you going to improve it this year? For instance are you going to remove some of the sharp curves so as to improve certain parts only, each year? Could it be said that you do some work of this kind each year?

(Text)

Mr. GORDON: I think I can say yes to that.

(Translation)

Mr. GRÉGOIRE: Do you improve parts of the track each year?

(Text)

Mr. GORDON: Yes.

(Translation)

Mr. GRÉGOIRE: Then how many years do you think it will take before the entire track is improved?

(Text)

Mr. GORDON: My trouble in answering that question is that it all depends on what standard you have in mind.

(Translation)

Mr. GRÉGOIRE: For example, when you sleep on the Montreal-Jonquière train you leave at 8 o'clock in the evening and you arrive the next day at 8 o'clock, I think, and do we not wake up every hour wondering whether the train has become derailed or has run off the tracks.

(Text)

Mr. GORDON: I would be ashamed if the track was all that bad. I doubt very much that I can let that pass. I do not think it is all that bad. The train does stay on the rails!

(Translation)

Mr. GRÉGOIRE: You stay on the track but you wake up every hour or every three-quarters of an hour wondering whether the train is still on the track because you feel the cars shaking. If you doubt it I suggest you make the trip one night, I guarantee the next morning you will be surprised to find yourself in Jonquière!

(Text)

Mr. GORDON: All right, I will undertake to make a night trip. I will let you know, and perhaps we might sit up together and see just what you have in mind.

Mr. BEAULÉ: That will be out of bounds!

The CHAIRMAN: Mr. Balcer.

Mr. BALCER: Mr. Gordon, have Canadian National Railways been approached by the Quebec provincial government in relation to the building of a steel complex at Bécancour to see whether Canadian National Railways would be in a position to give proper service to this gigantic plan of the provincial government?

Mr. GORDON: No, there has been no discussion between us and the Quebec provincial government as such. All I know about it is what I have read in the papers and, as far as I know, the government has not made any statement about its precise plans. We have, however, the whole area of Contrecoeur and around that area, where the steel complex is going, under consideration.

Mr. BALCER: The big discussion in my area is between Bécancour and Contrecoeur, and there is a big difference between the two.

Mr. GORDON: There has been no discussion between the railway and the Quebec government with regard to the location of the steel complex or where it may be located or what may happen to it. We are just as interested as you are.

Mr. GRÉGOIRE: Would it be as easy for you to go into Bécancour as Contrecoeur?

Mr. GORDON: I would have to refresh my mind about that.

Mr. BALCER: It is a matter of a few miles from Manseau. It is a matter of a few miles.

Mr. GORDON: That being so, we would have no difficulty in servicing the point.



Mr. FISHER: First of all, I would like to know if you have been using any ties that have been processed by the boliden process.

Mr. GORDON: What process?

Mr. FISHER: The boliden salts process.

Mr. DEMCOE: We are trying out a new process in western Canada. I do not know exactly the name of it, but it is a little different from that used in eastern Canada.

Mr. FISHER: Where is the work being done? Where is the actual processing being done?

Mr. DEMCOE: I think it is at Edmonton.

Mr. FISHER: I have another question relating to track. There were great attempts made by certain groups in northwestern Ontario to get you to run a higher calibre train from Winnipeg through to Longlac on the south line. This, I gather, is still the subject of some discussion. One of the difficulties involved, I understand, in putting a first line train on there was the condition of the track. Is there any plan at all to see what it would cost to upgrade the track so you could put a high performance train with a fast schedule on that stretch of line, which must be 700 or 800 miles in length.

Mr. GORDON: Yes, there have been discussions on that, and the conclusion last time it was mentioned to me was that we could not see that the potential traffic would justify raising the standard of the line to take care of the situation you have in mind. The line is quite adequate for the traffic we are now handling there.

Mr. FISHER: When will that decision be final?

Mr. GORDON: It is never final in the sense that we will be constantly watching the situation to determine whether or not there is a potential of traffic that will justify the improvement of the track. It is under review.

Mr. FISHER: Is there any plan at the present time, even in the projection stage, for putting in a new track at the lakehead to go to Jarvis bay rather than have the present ore facilities run through into the centre of the town at the ore dock there?

Mr. GORDON: No, there is no plan for that in mind at the present moment.

Mr. PASCOE: May I ask a supplementary question in regard to the ties? They are talking about replacing a large number of ties in the prairies. The railways make their own ties, do they? Or do they call for tenders for them? From where does the railway obtain the ties?

Mr. GORDON: Our purchasing department obtains the ties by calling for tenders all around the country. Mostly they are bought from small operators and shipped into the processing plant. We do not process any of our own ties.

Mr. PASCOE: Just one more question on that. Are the discarded ties still available to the farmers when they go past their property?

Mr. GORDON: I don't know. Usually by the time we take them out they are ready to burn.

Mr. DEMCOE: They are made available at certain locations to people who live adjacent to the track. In some places we sell them and in some places we give them away. If it is cheaper for us to give them away than to handle them and burn them, we give them away.

Mr. PASCOE: Some farmers like them for a foundation.

Mr. GORDON: Tell them to make us a bid!

Mr. PASCOE: They can't have them for nothing!

Mr. GORDON: No!

Mr. CADIEU: Have Canadian National Railways given any thought to connecting the gap from Frenchman's Butte in Saskatchewan to Heinsburg, Alberta, thus giving this line the possibility of becoming a paying line, and also giving the people in the area the service that Canadian National Railways have deprived them of for many years, there being a natural barrier in the North Saskatchewan river. I was wondering why so many years have elapsed and this near gap of 38 miles left from Frenchman's Butte to Heinsburg, Alberta. I think when you look at the long haul it would cut off, and I was wondering why so much time had elapsed and whether any consideration had been given to filling in this gap.

Mr. GORDON: The reason so much time has elapsed is that we decided we were not going to do it.

The answer to the second question is that we looked at that matter. We looked into it in great detail a few years ago and, at that time, we were encouraged. We thought there was going to be an industry located there in the form of a sulphur plant, but that fell through. So it is not part of our present policy to complete that gap because we do not think the economics justify it.

Mr. CADIEU: But the possibility of a salt mine development is still there and farmers are still there and the Saskatchewan river is still there. In view of this natural barrier of the Saskatchewan river, do you not think this should be given another look?

Mr. GORDON: We are always willing to look at it but we have no knowledge of any potential industry at the moment that would justify the expense of filling in the gap.

Mr. CADIEU: But you would be willing to give it another look?

Mr. GORDON: I would welcome the suggestion. We came very close to doing it in years past—I think seven or eight years ago. We were very close to doing it because we were encouraged by the discussions with the industry but then they fell through when they decided not to locate at that point?

Mr. CADIEU: Is there a possibility before the line would be abandoned that you would give this further consideration? Would you consider before any abandonment the fact that it makes a direct line all the way from Winnipeg to the northern part of Alberta?

Mr. GORDON: That has all been taken into account in our economic examination of it.

The CHAIRMAN: Gentlemen, shall we turn to train services?

Mr. GRÉGOIRE: Yes.

The CHAIRMAN: Perhaps you will allow me one word here. As we go into freight services I think we will proceed paragraph by paragraph because I see the last item could bring us into trucking in a heavy way, mixed up with ordinary freight, and for that reason I suggest we reserve any matters concerned with trucking until we come to deal with trucking.

Mr. HORNER (*Acadia*): I have one question on the work study in operations. Has Mr. Gordon an estimate with regard to the operational cost—"the most efficient use of men, material and equipment"—of the diesel locomotive per mile or per run? Have you got this generalized in any way?

Mr. GORDON: You are back again to the question of our costs of operation in terms of diesel.

Mr. HORNER (*Acadia*): Yes, that is right.

Mr. GORDON: Again, I am not sure just exactly what you have in mind.

Mr. HORNER (*Acadia*): I am trying to figure out how much is costs to haul a bushel of grain. I will tell you that is one of your operations that is not very efficient!

Mr. GORDON: Mr. Horner, let me remind you again that this is exactly the kind of thing that the royal commission on transportation spent a great deal of time discussing and they heard expert witnesses going on for days and weeks and months. I do not want to appear to be alibiing but the question of railway costing is one of the most complicated subjects with which I have ever had anything to do. It cannot be answered in the way we are trying to do it now, in a question about one phase; that is impossible. It took the commission many months, fortified by the best experts in the world, experts brought in not only from the United States but from the United Kingdom and all over the place. What the commission finally established was a cost accounting formula and system which satisfied them in the matter of the recommendations which they made. If you want to study that I advise you that the detailed evidence brought in along this line stacked on the floor will measure exactly six feet eight inches. I know because I stood beside the volumes of evidence and it measured six feet eight inches.

Mr. HORNER (*Acadia*): Mr. Gordon, I realize that this is a very complicated study. In no way do I wish to review what the royal commission did, or anything else. I want briefly to summarize in my own mind. You made the statement two years ago—and I remember well when you made it because it caused me to have a great deal of fear with regard to the economic conditions and the economic upheaval that would be caused on the prairies. I mentioned it briefly yesterday or the day before in this committee, and you said that was a good statement, that it was a statement setting out future policy, and was well prepared and well thought out by the top men in Canadian National Railways, and that this was the thinking of Canadian National Railways.

Now, in reading the statement over again—you were good enough to give us all a copy of your speech—my fears were renewed, only doubly so, when I came to the statement which you made that grain can be hauled over a distance of 60 to 70 miles cheaper by trucks than by the existing railroad. This is where I am trying to get down to the nub of the problem. I live alongside the thin end of the branch line. I know roughly the operational maintenance of this by the reduction of the number of section crews in the past year. I know, roughly speaking, of the number of changes in ties on this 70 mile line. I know how often a train comes down there. In fact, 16 or 17 years ago, the railroad offered to make a special run down there for six cars which I wanted to move, six box cars full of material. The railroad said, "You should have called us and we would have run down an engine with six cars rather than you taking it by truck", or overland, as the case may have been.

This is the question I want to have answered—I do not want to go into the detailed cost accounting or a study of any six foot eight pile of evidence. I realize the commission did this but I am not in complete agreement with the commission on their answer. They took an easy way out which had received a great deal of propaganda—for instance, this business of the Crowsnest pass rate being a subsidized rate. I do not agree with this for one minute, and I might point out that not all the commission agreed with this finding; it was not a united finding at all.

I know enough about trucking to realize that a trucker or a businessman can give you a rule of thumb on how much it would cost to move a bushel of grain, or that it would cost 20 cents a mile to operate a truck, and so forth, but I know the railroad must have a rule of thumb with regard to maintenance. I think the railroad should and would, because they are very thorough in their work, have a rule of thumb with regard to operating a diesel locomotive. This is all I am asking.



Mr. GORDON: I take cognizance of what you said and if it is agreeable I would rather transfer this to a personal discussion with you or to an exchange of letters in which we will try to satisfy you. My point is this: I am hesitant naturally because if you are not prepared to accept the decision of the commission which had at its disposal the best experts in the world and who took two years in their studies, if you brush that aside, I have not much hope that I will convince you.

Mr. HORNER (*Acadia*): They did not take two years to study this question.

Mr. GORDON: No, but this question of the cost accounting branch was dealt with throughout almost every session of the commission's hearings. I am sorry, as I said before, because I think Mr. Bandeen, who was our witness and who has this information at his fingertips, could have had a very useful talk with you.

Mr. HORNER (*Acadia*): I am sorry I did not take this subject up yesterday but I took a lot of the committee's time.

Mr. GORDON: I cannot deal with it now, nor can I deal with it between now and tomorrow, but if you let me take note of your questions to the point where we will get in touch with you by mail, it might solve the problem.

Mr. HORNER (*Acadia*): I will bring this up again when we come to "outlook". I have to do it. The last chapter deals with the outlook of the C.N.R. and this is your outlook which also appears in your speech called, "grain on the move." I have to bring this up again and I have to have some answers because I violently disagree and I violently believe that in your speech dealing with grain on the move you are doing nothing to alleviate transportation problems; all you are doing or suggesting should be done is that you are going to take the burden of moving the grain off your back and put it on the farmer's back and the farmer will then carry a greater percentage of the transportation cost. I know what he gets for a bushel of grain and what it costs to produce. You are going to add another 30 cents per bushel to the cost of getting the grain to his market. The farmer cannot stand this, nor has the Liberal government come through with their promises to him.

The CHAIRMAN: We will come back to that. Are we all agreed on operations?

Operations approved.

The CHAIRMAN: We are now on "freight services". The first item on freight services is sales.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman. I would like to ask Mr. Gordon this question: before, when the express trains arrived in a town and the goods had to be delivered, the Canadian National had their own trucks—

The CHAIRMAN: Now, Mr. Grégoire, are you speaking of trucking or are you—

Mr. GRÉGOIRE: Of the freight service as it is mentioned here, Mr. Chairman. So when you ran the freight service you had your own trucks to pick up the parcels and deliver them. The Canadian National owned their own trucks for the freight service.

(Text)

Mr. GORDON: I have not yet heard the question. You made a statement.

(Translation)

Mr. GRÉGOIRE: Did you own the trucks? Did the Canadian National own the trucks that delivered goods or parcels shipped by express at Jonquière, for example?

(Text)

Mr. GORDON: I would have to find out about Jonquiere but certainly we use trucks to deliver merchandise there.

(Translation)

Mr. GRÉGOIRE: In some municipalities, in some places, you decided not to use those trucks any more but to let this work out by contract to other firms performing the same service on behalf of the Canadian National. The Canadian National lets these contracts to firms who deliver the parcels, and I believe that is what happened in Jonquière. Now, Mr.—

(Text)

Mr. GORDON: Yes, it depends on the circumstances. In some cases we do employ truckers by contract. We have many outside contractors for the delivery of our goods.

(Translation)

Mr. GRÉGOIRE: Now, Mr. Gordon, I would like to ask you this; can an employee of the express service or the freight service who is regularly employed by the Canadian National, who is paid a salary by the Canadian National, at the same time, either as sole owner or as co-owner because he is a shareholder in the company, get a contract from the Canadian National to deliver parcels?

(Text)

Mr. GORDON: This, I am afraid, is a question which deals with the general matter of trucking. If we are going to deal with that at this point, Mr. Chairman, I have to make a general statement in respect of our position vis-a-vis the whole situation that we are in about trucking, particularly in the Province of Quebec.

(Translation)

Mr. GRÉGOIRE: But Mr. Gordon the matter of trucking is not necessarily a matter of general policy, it is merely a matter of whether the Canadian National are in the habit of letting a contract to a full-time salaried employee, of letting contracts to carry goods shipped by the Canadian National, by truck, allowing him to work both as a full-time salaried employee and as contractor for the Canadian National?

(Text)

Mr. VAUGHAN: Does he drive a truck himself?

Mr. GRÉGOIRE: He is the owner of the truck and he is a regular employee of the company.

Mr. VAUGHAN: You asked a question about that, if I remember.

Mr. GRÉGOIRE: Let us say I will not qualify the answer I received.

Mr. VAUGHAN: I realize the answer was not too satisfactory.

Mr. GRÉGOIRE: Far from being satisfactory.

Mr. VAUGHAN: But, as I think we said in the answer, it was not within our knowledge to go behind an individual to find out what his interests were.

Mr. RHÉAUME: Could Mr. Grégoire raise this issue after 10 o'clock tonight?

Mr. GRÉGOIRE: I am completely in order in asking this question here.

Mr. GORDON: I can see your point now. It would be quite possible that an employee of the C.N.R. might be a shareholder of a trucking company with whom we had a contract to handle trucking for us—we do not know. However,

it would not be the case, as far as I know, that we would have an employee of the C.N.R. trucking for us himself and at the same time being an employee of the railway, but he could easily be a shareholder of a company that does.

Mr. GRÉGOIRE: Let us say he is not necessarily a shareholder.

(Translation)

He is not necessarily a shareholder but if he is the treasurer of a trucking company, if he signs the company's cheques to pay the truckers, if he looks after the office and management of the trucking company and is at the same time a regular salaried employee of the Canadian National, is that a practice—

(Text)

Mr. GORDON: I do not know of any cases like that. Let me put it this way. Suppose you and I were brothers and we were both McGregors. I am working for the C.N.R. and you have a trucking company. Now, you could get a contract from the C.N.R. for your trucking operations and it might be that I would be putting up all the money for you. However, there is no way for the railway to know that. I could give you \$25,000 which might be needed for your business and you would operate the trucking company—that is your business. However, there would be no way for the railway to know that.

Mr. GRÉGOIRE: But you are an employee of the C.N.R. and it is proven that you are the one who runs the administration of the company under my name as McGregor, you being another McGregor. You sign the cheques, your name appears on the cheques and your signature is on every cheque to pay the employees of the trucking company. Would it be sufficient to prove that?

Mr. GORDON: If the employee was doing that on company time, we would have a view on it, but if he is doing it on his own time and helping his brother with the business in the evening, or anything of that sort, that is his own business. When you come to the question of moonlighting, we have a policy on that, but legally we have no position on it; we cannot stop the employee from doing what he wants on his own time—this is a free country.

Mr. GRÉGOIRE: Suppose it is done in the time of the company?

Mr. GORDON: Then we would not permit that.

Mr. GRÉGOIRE: Would you make an investigation in a case such as the one going on in Jonquiere?

Mr. GORDON: Please give me the particulars and, certainly, we will look into that.

Mr. GRÉGOIRE: I gave you a lot of particulars in the question I asked on the order paper—I mentioned all the names.

Mr. VAUGHAN: We had difficulty trying to run it down.

Mr. GORDON: Most certainly I can assure you that if a company employee is engaged in another activity during the company's time, we would have very strong views about that, but if he is doing it on his own time, then we have no business in interfering with him and we would have no right to call him before us and to ask him what he is doing with his evenings.

Mr. GRÉGOIRE: I am not talking about the evenings but about his day-time work.

Mr. GORDON: All right, if it is in the time that he is supposed to be working for the railway, then we have views on it.



Mr. GRÉGOIRE: Suppose he leaves his regular job in the C.N.R., during the time when he is employed by the C.N.R., to do some work for his trucking company?

Mr. MILLAR: He must be a Tory.

Mr. GORDON: We would have to get particulars on it. I have never run into this, and actually I do not know. If he did it during his luncheon hour, if he has a regular luncheon period, again it is a question of whether it is his own time or not.

(Translation)

The CHAIRMAN: Mr. Grégoire you are going to give Mr. Gordon more details.

(Text)

Mr. GRÉGOIRE: If I give you all the particulars on that case, would you agree to making a complete investigation of it?

Mr. GORDON: I will make an investigation to the full extent that I have the right to do so, but I am not committing myself to investigate a man's personal life.

Mr. GRÉGOIRE: I am not asking for that; I am asking, within the restrictions you have mentioned concerning his daytime work, that is if he is doing that during the office hours of the C.N.R., if he leaves his job to do that, whether that could be proven?

Mr. GORDON: We will certainly investigate that.

The CHAIRMAN: Are we agreed on "sales"?

(Translation)

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: Mr. Gordon, did the loading and unloading platforms you built at Charny and Sainte Foy for the Quebec service, give the results you expected?

(Text)

Mr. GORDON: You mean expected from the operational viewpoint in regard to traffic?

(Translation)

Mr. BEAULÉ: Yes, the traffic. When you built the piggyback in Quebec, the loading and unloading platforms from Quebec to Sainte Foy and St. Malo.

(Text)

Mr. GORDON: We would like to see more traffic. We built them for the purpose of providing the facilities, and we would then go out after the traffic. It has not worked out to be as big as we hoped, but we have not given up hope and we expect to develop the traffic by making the facilities available. First we have to make the facilities available and then we have to go out after the traffic, but at the moment it has not worked out as well as I had hoped.

(Translation)

Mr. BEAULÉ: If the results did not come up to expectations could that be because of the freight sales service in the Quebec area?

(Text)

Mr. GORDON: It is hard to say how effective the sales department has been. I do not know how to measure the results of the sales department. All I know is that we have men on the job who we think are doing a good job. I would not place the blame on them for the traffic not having developed, but I am

saying, in answer to your question, that we would like to see more traffic there than we have now, and we are certainly keeping up the pressure to see whether we can develop more.

(Translation)

Mr. BEAULÉ: So you can affirm that the money invested in the freight sales service in the Quebec area did not give the results you expected, because a fairly substantial amount of money—

(Text)

Mr. GORDON: No, I would not say that as a general reply. The facilities that we provided in Quebec have generally been satisfactory. There has been a satisfactory return, but not as much as I would like to see. You will see from the piggyback services mentioned at the top of page nine that our tonnage has increased by 5.9 per cent and the revenues by 6.3 per cent over 1962. Personally, I am not satisfied with that—I think it should be more—and the sales department is now working hard at it and we will see what we can do.

(Translation)

Mr. BEAULÉ: Well that boils down to what I said. Are you satisfied with the service you operated in 1960, and the freight service which was expected to bring the company more traffic? Did that service prove to be a success?

(Text)

Mr. GORDON: There is a difference between whether it is justified and whether I am satisfied—there is a great difference there. I am never satisfied, and I am always looking for more business.

(Translation)

Mr. BEAULÉ: Are the company officials satisfied?

(Text)

Mr. GORDON: They had better not be. I do not want any of our sales department ever to be satisfied. However, the real point is whether or not the investment has been justified, and my answer to that is, yes.

(Translation)

The CHAIRMAN: Mr. Grégoire.

Mr. GRÉGOIRE: I would like to ask another question, as I had another question I wanted to ask Mr. Gordon a few moments ago. My understanding is that you may not have the particulars here, but could you let the committee have them before we finish our work? Are tenders called to let the transport of express freight to Jonquière trucking companies, and how many tenders were called, how many will be called, what companies tendered and what rate did each bidder quote for that particular town of Jonquière?

(Text)

Mr. GORDON: I have not those particular details. I am prepared to see if I can get them, but I would not necessarily be prepared to reveal the price of the tenders. I do not think it would be fair.

(Translation)

Mr. GRÉGOIRE: When we ask that kind of question in the House, the minister does not usually refuse to give us the names of the bidders, especially when a contract has been let. Or the price tendered or who got the contract. It is done all the time in the House, so I do not see why the Canadian National could not provide the same information.

(Text)

Mr. GORDON: I doubt very much if the Canadian National ever has given the actual prices. I do not recall that we have. I would give you the names but I do not think we ever have given detailed information on the actual price of the tender.

(Translation)

Mr. GRÉGOIRE: In that case Mr. Gordon could you just tell me what I want to know? I would prefer if you could, but if you cannot will you at least tell me how many people bid, the names of those people and whether you accepted the lowest bid.

(Text)

Mr. GORDON: Yes, we could tell you that. I do not know how quickly we could get that information for you but we will attempt to obtain it before the committee is over.

(Translation)

Mr. GRÉGOIRE: One final question. In regard to the express service now replacing the train that used to run between Jonquière and Chicoutimi, have you received any requests for the trucks to go along the west shore of the Saguenay towards Chicoutimi and then return to Alma along the west shore and onto the east shore of the Saguenay to Jonquière, so that about twelve fairly large municipalities located on the east shore of the Saguenay, namely, St-Ambroise, St-Nazaire, St-Jean-Vianney etc., could be served?

(Text)

Mr. GORDON: Well, we would not have that information in headquarters; that would be a matter for the local officers and, again, I would have to make inquiries locally to find out the answer to your question. This would take time. Normally, we would not have detail of that kind in headquarters.

Mr. GRÉGOIRE: Would it be possible for you to take that under consideration?

Mr. GORDON: Yes, we will find out for you.

Mr. ROCK: Mr. Gordon, Côte de Liesse boulevard in the constituency of Jacques Cartier-Lasalle is becoming the hub of transport in the province of Quebec. There is access to the airport from that area. The Canadian National and Canadian Pacific hump yards are there. Also, in the vicinity of this boulevard a great number of trucking companies have established and, from the main hump yard there is a track going to Côte de Liesse boulevard for piggyback service.

Is the piggyback service in that area profitable? Are you doing a big business with all the trucking firms in the area? If such is not the case is it because possibly your service is slower than the trucks which proceed directly from the Montreal area to Toronto? Are the railway operations too slow for that service?

Mr. GORDON: Generally speaking, in respect of this same question you are asking, I made certain requests only a few weeks ago because I am not satisfied we are getting enough piggyback business. As I said in answer to a previous question, the existence of the facilities has been justified, but I think there is more business to be obtained. We have to discover why we are not getting that business and ascertain whether it is slowness in the service, lack of sales appeal or some other reason. But, in any event, I have put them on the spot. However, it will take a while to get the results of the study. I am after this very thing as I am not satisfied with it.



Mr. ROCK: I can understand your dissatisfaction because you do have rail in the centre of this hub and your piggyback service is at the back door of most of the trucking firms in the Montreal area.

Does the same situation exist in other areas; in other words, in the Toronto area is your piggyback service located in the hub of a trucking area where you can unload immediately in that same given area, as in the case of Montreal, where you have the central offices, warehouses and trucking firms.

Mr. GORDON: There is not as much concentration in Toronto; but, there is a concentration and we have located the service at the most convenient points.

Mr. COWAN: I have to agree with you.

(Translation)

Mr. BEAULÉ: I have a supplementary question, Mr. Chairman. I would like to ask Mr. Gordon whether he does not consider that the cost of operating the freight sales service is too high, and causes the present state of confusion that exists in the department.

(Text)

Mr. GORDON: It could be; I do not know. That is what I am trying to find out. I am asking for a study of the whole situation to determine why we are not getting more traffic than we are getting now because as I said before, I am not satisfied with it.

Mr. KENNEDY: There has been a gradual separation of mail services from railway trains over the past few years. I would like to ask what effect this is having on the economic aspect from the point of view of the railway, and also what effect it is having on express traffic. Is more express business going to the post office because of this separation?

Mr. GORDON: Yes. But, generally speaking, the decision as to what mail goes forward is something that rests with the post office, as you know, and they have been making their studies on the basis of determining what is the cheapest form as well as the more flexible form. And, in the cases where it has left the rails, it is, generally speaking, because they found it more flexible by trucks. They are running trucks at times when it does not suit our particular timing. Of course, any business that we do lose has an effect on our railway generally and we do not like to see it. But, again, it is a matter of competition in that area.

Mr. KENNEDY: What effect has it on the express business? Has the post office taken over more express because they deliver it now to the different communities?

Mr. GORDON: Do you mean has their competition hurt our express business?

Mr. KENNEDY: Yes.

Mr. GORDON: Generally speaking, no, because the post office handles smaller packages. In express, we prefer to handle the large stuff; we are not too keen about the small packages, as a matter of fact, because we do not think they are economical, from our point of view, to handle.

Mr. LLOYD: Mr. Gordon, under the heading "sales" in respect of the over-all policy I notice that you use the words "market-oriented approach". I suppose you anticipate that the Canadian National eventually will occupy a position similar to that held by the Canadian Pacific Railway in terms of seeking a sales volume at the cheapest possible cost to the user. That is your general orientation that you mention from time to time.

Mr. GORDON: Well, as a matter of fact, what I have reference to here is the market-oriented approach, and this is something we pioneered. We were very much ahead of the C.P.R. in this regard. They followed. This is a service to our

customer, which commences by a study which we will make in his particular plant in respect of his whole problem of movement. Very often we make suggestions to him in regard, for instance, to his type of packaging, his type of movement, how to take advantage of our incentive rates by way of volume, and so on. We study his problem in conjunction with our own and give him advice on how he can reduce his transportation costs. As I say, we provide that as a service to individual customers. It is a very objective service for the purpose of providing the technical skills that we have to help our customers resolve their distribution problems to their benefit as well as to our own.

Mr. LLOYD: I am a little concerned, Mr. Gordon, in this very necessary search for anomalies to keep rates down that perhaps some areas of the country which have enjoyed the economic activity derived from railroad operations may suffer, and I am particularly concerned with your movements of freight into Canada and from Canada; in other words, your export freight movements. For instance, you operate lines to United States ports for export movement, do you not?

Mr. GORDON: Yes.

Mr. LLOYD: You say in your report that the freight sales organization is currently reviewing the system's competitive position in anticipation of greater freedom in pricing which may result from federal government legislation based on the recommendations of the royal commission on transportation. If you obtain the greater freedom you anticipate will this mean the emphasis will be solely on obtaining traffic at the cheapest possible cost to the user and does it mean you will utilize the opportunity to move freight through United States ports as compared with, say, Saint John and Halifax?

Mr. GORDON: Well, of course, the route of the traffic is at the shippers discretion, not ours. In most cases the shipper will decide how he wants the traffic routed. If it is left to our discretion then we are under a general obligation to use a Canadian port. This is a requirement of the Canadian National Railways Act, section 21. I will read it to you:

The board of directors shall so direct, provide and procure that all freight destined for export by sea that is consigned within Canada for carriage to national railways either at point of origin or between that and the sea shall, unless it has been by its shippers specifically routed otherwise, be exported through Canadian seaports.

That is the legal direction to the Canadian National.

Mr. LLOYD: The out, of course, is unless it is directed by the shipper.

Mr. GORDON: Yes, and the shipper has control of his routing.

Mr. LLOYD: So, generally speaking, I suppose a good deal of your movement is governed by the shipper?

Mr. GORDON: Yes.

Mr. LLOYD: And because it is dictated by economical considerations to him.

Mr. GORDON: Yes.

Mr. LLOYD: Because he may find that by dictating the routing he may save money?

Mr. GORDON: Yes.

Mr. LLOYD: Or, get a faster delivery?

Mr. GORDON: Yes.

Mr. LLOYD: So, the economics of this operation are controlled by the shipper or the importer, perhaps, in some cases?

Mr. GORDON: Yes.

Mr. LLOYD: Now, Mr. Gordon my next question is being directed toward an effort to sharply distinguish between what will be the Canadian National's position in the future as against the role of government. As I see it, from the comments which you have made,—and I would like you to confirm this if I am right—you are trying to put the Canadian National organization as closely as possible in its management and decision making in respect of the operations of railways in a similar position to that of the Canadian Pacific Railway or any private competing transportation system. Therefore, all of your decisions will be based upon the economic feasibility to the system from the net revenue point of view. This means that in the future if you shifted this position, and if it becomes desirable on behalf of the government of Canada to subsidize your rail operations to promote utilization of export shipments through Atlantic ports, for example, then that will have to be a government decision and not yours.

Mr. GORDON: Yes, and I would hope and expect that the government decision would apply in the same way to the Canadian Pacific Railway as it applies to us.

Mr. LLOYD: Well, it would have to apply to all carriers involved in the movement of export goods. In essence, what you are saying is that you are trying to establish the Canadian National as an agency which does not in its operations conduct subsidy operations which are economically not feasible judged by normal transportation standards.

Mr. GORDON: We are operating on a commercial basis; in other words, we follow the same general commercial principles.

Mr. LLOYD: So, if it is a good thing for social or economic reasons to maintain utilization of operations which are suffering from a competitive position, say in the United States, then we have to look to a government measure, which involves a subsidy to you, the railroad, to bring that about.

Mr. GORDON: In this connection you must remember that the railroad never consciously subsidizes anything. By the general principle of the legislation of today and, I believe, by the legislation of tomorrow our rates have to be compensatory and we are under challenge at any point to establish that our rates are compensatory if a challenge is made in that respect. So, we do not subsidize any rate. If the government, by reason of policy, provides the Maritime Freight Rates Act, then that is for the benefit of the shipper, not us. All it means to us when we collect a subsidy in respect of a shipment is that the actual shipper pays part of the freight rate and the government the remainder. We regard it as revenue, not subsidy.

Mr. LLOYD: I am only trying to focus your attention on areas wherein you could operate.

Mr. GORDON: That is right.

Mr. LLOYD: Because you have the utilization of the harbours board facilities in Saint John and Halifax, which are governed by shipping, that shipping is related to the movement of export goods to and from the country. The extent of the utilization of those facilities is governed by whatever policy of government is in effect to bring about a greater utilization. As you know, studies now are under way and I wanted to make certain that all our effort is concentrated in the one direction. It would seem to me that if we think this is reasonable we should pursue it. It is a government measure in respect of subsidy either to the shipper or in some other way; it is not the railways who initiate it.

Mr. REGAN: Mr. Chairman, I have a supplementary question on this subject. However, I am not to gather from your remarks, am I, that the railway is neutral in the question of whether or not subsidies should be applied? In other words, surely your railroad, if it wants to operate at a profit would want to carry a volume of business, and would have a direct interest in having the



government decide upon a policy that would subsidize import and export cargoes through the Atlantic ports, for instance, in the face of the growing types and kinds of indirect subsidies to your competition, the ocean going vessels that go up through the St. Lawrence river and seaway system.

Mr. GORDON: Yes. We would have an interest in anything which encourages the traffic to come through Canadian ports and on to Canadian railroads and to the extent that we have been asked for advice or given the opportunity to push this, we do it.

Mr. REGAN: And, you agree at the present time there are a growing number of subsidies to export traffic moving by way of water compared to rail?

Mr. GORDON: Yes, we think so. However, it is hard to make a specific case in regard to it. There are some obvious types of facilities provided and so forth which benefit the water carriers.

Mr. REGAN: Is it not a fact in 99 per cent of the cases that this results in the wages for conveying these goods going to people who are not Canadians because of the foreign owned bottoms which are carrying goods moving in the seaway system and if these goods were moved by rail these wages would remain in Canadian hands.

Mr. GORDON: I would not disagree with you.

Mr. REGAN: In respect of the overseas freight service through Atlantic ports, what duties in this connection would Mr. Matthews and, indeed, all your people in England, have?

Mr. GORDON: Our office in London is there for the purpose of keeping in touch as much as possible with known movements of goods and trying to direct them so that when they will finally land in Canada they go on Canadian National Railways. We have a connection with a number of shipping firms.

Have you the list there, Mr. Vaughan?

Mr. VAUGHAN: Yes. This arose out of Mr. Lloyd's question yesterday. We have an association with Cunard, Furness Withy, Poseiden, Montreal Shipping, the Headline, the Manchester Line, and the Fjell-Oranje line, which is a Dutch line; and we have a very friendly and beneficial arrangement with the shipping companies which compensates for our lack of ships when compared to the Canadian Pacific Railway. We think this is a very good arrangement which we have with them for shipping goods overseas and as well bringing them into Canada.

Mr. GORDON: The point there, you see, is that all of these companies with which we have a close working arrangement are competitors of Canadian Pacific steamships. Therefore, they have an interest and they prefer to be friendly with us and direct cargo to us if they can in view of the fact that they themselves are competitive with Canadian Pacific. So these arrangements are very valuable to us.

Mr. REGAN: I go into this question because when I was in England in April I had the opportunity to meet with your people there and I was very impressed by the liaison they have with the different shipping companies. As I understand it, however, they attempt to co-ordinate cargoes that are destined for Canada, working in liaison with these companies, and to promote the idea that the shipments would arrive in a port that is serviced by Canadian National Railways.

Mr. GORDON: That is right. We have more than that; we go beyond that into Europe, and we have a number of agents throughout Europe which are also in touch with possible cargo shippers.

Mr. LLOYD: May I summarize this area if Mr. Regan has finished? Have you finished?

Mr. REGAN: Yes.

Mr. LLOYD: I raised this question because, as everybody knows, we have a dual riding in Halifax and we share our concern about the utilization of the ports in Halifax. That is quite obvious.

The CHAIRMAN: That is why you divided your speech!

Mr. LLOYD: And on various occasions this is a very useful device.

Mr. Gordon, you would say, then, that you have a distinct interest in the utilization of your rail lines derived from an expanded export activity through the Atlantic ports?

Mr. GORDON: Yes.

Mr. LLOYD: Because you must have some grave concern about the utilization of your system in the Atlantic provinces. That would be so, would it not? You have substantial deficits in operation now in that region. Is that region a substantial deficit area?

Mr. GORDON: We do not break down our bookkeeping in that respect by trying to identify the specific areas. We do not keep our books in that fashion.

Mr. LLOYD: Thank you.

The CHAIRMAN: Mr. Lessard.

(Translation)

Mr. LESSARD (*Saint-Henri*): Mr. Gordon, regarding the freight service, and since we are on the subject of the piggyback, would you tell us whether your department intends to service that yard on a temporary basis only? Are those buildings intended to remain there permanently, or are you going to continue to serve that area in the future for the piggyback?

(Text)

Mr. GORDON: You said something about the Turcot yard?

Mr. LESSARD (*Saint-Henri*): You use the Turcot yard for your piggyback operations. Is that a temporary arrangement or will it be permanent?

Mr. GORDON: That will depend upon the circumstances. We have our new yard coming into operation in Montreal and we will provide piggyback facilities at any point where we think we can get the business. Certainly where we have built them now we intend them to be permanent, but we may expand them.

The CHAIRMAN: Gentlemen, shall we carry on or does the committee wish to adjourn now? Mr. Horner, you have a short question?

Mr. HORNER (*Acadia*): Relatively short, Mr. Chairman. If you are planning to recess at noon I am prepared to wait until after the adjournment.

The CHAIRMAN: I have no plans; I am in the hands of the committee.

Mr. HORNER (*Acadia*): My question has to do with services. I am prepared to pass sales.

The CHAIRMAN: Have we finished sales?

Agreed.

Then we will deal with services. Mr. Horner.

Mr. HORNER (*Acadia*): Mr. Gordon, I have noticed your interest and your concern about the social upheaval with regard to the workers in the run through problem. You have emphasized, I think more this year than in previous years,—although I have not been a member of the committee every year—that Canadian National Railways are duty bound in many cases to provide a service to localities and areas. In your Winnipeg speech you

suggested an integrated trucking system which would be devised from the farms to the main lines. Should I take it that this would form part of the services which you feel you are duty bound to provide?

Mr. GORDON: I do not know. What I was trying to do in that whole speech was to make the point, among other points, that the railway is not the only outfit concerned with this problem of moving grain. I do not know what the solutions are. I have merely pointed out some areas that ought to be studied. It may be that in the course of that examination it will be found that various devices could be used, and an integrated trucking service may be one of them; it might be community-owned; it could be railway operated; it could be any one of a half dozen methods. There is no one method that I am specifying there. You see, in the speech to which you refer I was trying to get some action; I was trying to alert people to the fact that necessary studies are not taking place. I think I used the expression, if I remember correctly, that it does not seem to be the business of anybody to do it, to co-ordinate it, and that there is no co-ordinated study or examination taking place. The result is that each individual part of the problem is being dealt with on an individual basis.

I am worried about the railway basis. The things we are doing today in our own interests are not necessarily in the best interests of the whole problem. I used a lovely word, and I am not sure if I can pronounce it again. I called it "suboptimization".

Mr. HORNER (*Acadia*): Explain!

Mr. GORDON: Well, I can explain it, believe it or not. It is this. When you have a given problem and you make a analysis of it, unless all the factors that are available for the solution of that problem are brought into play, unless they are all co-ordinated, then you will get a lower degree of solution than you otherwise would.

Mr. MILLAR: In other words, it is simply that the problem cannot be analysed from the viewpoint of the railroad only?

Mr. GORDON: That is my point, and if it is analysed only from that point of view, then you will get "suboptimization". You will get less benefit out of the solution than you otherwise would.

Mr. HORNER (*Acadia*): It is a beautiful word.

With regard to your services and your concern, you are more or less obligated to provide this in many areas. Do you have this same feeling of obligation with regard to your trucking interests? Do you feel obligated in the trucking interests generally to provide this same service to the people?

Mr. GORDON: I bump up against this every time you mention trucking. I would ask the indulgence of the committee not to have me answer any question on trucking until I have made a statement that, on the advice of counsel and on the advice of our legal department, I must make. I am obliged to make this statement to you, so if you wish to deal with trucking I will deal with it then.

Mr. HORNER (*Acadia*): I do not want to deal with trucking yet but I am just trying to tie in the obligation to provide a service. If your statement will deal with this, I will forgo my question.

Mr. GORDON: The obligation to provide a service is a general obligation where Canadian National Railways are located. We accept that we have an obligation to provide an adequate service. It is not necessarily a railway service; it might be provided by somebody else. This is where we get back again to the McPherson commission report, because if it is found that we are providing



a service in which we are losing money and there is no logical alternative, then, as I understand the legislation, they will say to us "You continue the service, and we will pay your losses."

Again, I am speaking subject to what the legislation is going to say. That is what the report said.

Mr. HORNER (*Acadia*): Going back to your statement on the integrated trucking service and providing a service, I was trying to arrive at a conclusion or otherwise as to whether you would be obligated or feel obligated to fill this gap.

Mr. GORDON: It depends, but not necessarily by trucking. It is a service.

Mr. HORNER (*Acadia*): I have one further question on services and I will forgo any questions upon the obligation under trucking right now.

I notice that the use of containers was expanded in certain operations. This is a new innovation on the part of Canadian National Railways. How is it going? How big an expansion is it, and is it being accepted by the shippers concerned?

Mr. GORDON: It is pretty much in the embryo stage at the moment. We see a good potential for it but, mind you, it has been working for quite a number of years in Newfoundland and we have devised changes in the containers there too. It is a regular part of our system in Newfoundland. In Newfoundland, we have 530 aluminum containers in use already. This is something we think we can develop.

Mr. HORNER (*Acadia*): Particularly in the movement of one cargo from one means of transportation to another, I would think.

Mr. GORDON: It would be valuable there too, yes.

Mr. HORNER (*Acadia*): How is it accepted by the workers? I am thinking of the workers who have to move the containers.

Mr. GORDON: They are quite happy with it. It is very easily done with fork lift trucks and so forth. We are finding more and more that our workers appreciate and realize that traffic is traffic and that traffic means jobs, no matter how it comes.

The CHAIRMAN: Mr. Rock, have you a point?

Mr. ROCK: Yes, Mr. Chairman. I believe when we came to the item about freight service you made a statement that we could talk on all of these.

The CHAIRMAN: No, no; one item after another. We finished sales a while ago and we are now discussing services.

Mr. ROCK: I think most of the members did speak in general on a lot of these things.

The CHAIRMAN: No, not up to now.

Mr. HORNER (*Acadia*): I was directly discussing service.

Mr. ROCK: No, I am not bringing you to order, Mr. Horner; it is just the fact that many of us spoke about equipment and express freight.

The CHAIRMAN: No. I think I have been pretty much on the line in this one.

Mr. BEAULÉ: I move adjournment.

Mr. ROCK: We have been speaking of freight, and that is a service.

The CHAIRMAN: No, we have been discussing sales.

Mr. PASCOE: May I ask one supplementary question? This is supplementary to Mr. Horner's question and it might be repetitious to a certain extent.

Two years ago in the committee we had a discussion on the master grain handling plan. At that time I asked if the railway would be interested in having large trucks to fit in with this, and your reply, Mr. Gordon, was that that would need to be studied. My question now is whether you have had

any studies made since then. Is it just a general study or have you had any detailed study with other interested parties in regard to that? That was two years ago.

Mr. GORDON: You are talking about the master grain handling plan.

Mr. PASCOE: Yes, the master grain handling plan whereby the grain would be trucked from country elevators to central elevators.

Mr. GORDON: No, we have done nothing further on that.

The CHAIRMAN: Mr. Rhéaume.

Mr. RHÉAUME: I have just a general question and I can ask it probably under services although the same question applies to just about all operations of the railway. I will ask it specifically under services.

It seems to me that the thread running through all our questions, Mr. Gordon—and I want you to correct me if I am wrong—is the recurring theme that it is pretty important that the government immediately consider implementing the MacPherson recommendations, and indeed that in this area, as in just about every other area we have discussed, Canadian National is expecting immediate action. Canadian National Railways have even geared their staff to this. I see the expectation of this legislation recurring many times in your answers and even in your report, the expectation of something being done right away.

Mr. GORDON: Yes, we have been expecting it for the last year—hoping and expecting.

Mr. RHÉAUME: Then Canadian National Railways, as an important and large company operating in Canada, would be distressed if the legislation were to be shelved?

Mr. GORDON: I can go further than that. On this particular subject I can be presumptuous enough to speak for the Canadian Pacific Railway because I am sure we both have the same view. We are both anxiously awaiting the implementation of this legislation.

Mr. RHÉAUME: So if there is truth to the press report today that the legislation is to be shelved, this would be not only a source of distress but would perhaps modify some of the things you have been saying?

Mr. GORDON: Yes, it would be a very distressing thing in regard to many factors if the legislation is delayed. There would have to be compensations in relation to what that means. I have had no conversation with the government that leads me to believe that the legislation has been temporarily shelved. I do not know anything about it. I do not believe all I see in the papers. But if we are advised formally that the legislation is to be delayed, then I think Mr. Crump and I would feel it necessary to talk to the government and find out what is involved because it will have a very serious impact upon us in respect of the money situation and many other things.

Mr. RHÉAUME: For the record I want to advise Mr. Gordon what it is to which I am referring.

The CHAIRMAN: I think, Mr. Rhéaume—

Mr. RHÉAUME: I am not referring to a rumour. I am referring to an article that appeared in the *Globe and Mail* this morning.

The CHAIRMAN: I think it has been referred to by someone else.

Mr. RHÉAUME: I just want to indicate to Mr. Gordon what it is. It is a story in today's *Globe and Mail* which says that an official in the office of the transport minister, Mr. J. W. Pickersgill, said he did not know when the legislation would be brought forward and that the debate on the flag must be cleared out of the way first. It would be important, if it is not to be proceeded with, for your company to know right away, Mr. Gordon?

Mr. GORDON: As we stand now and, as far as I know, as Canadian Pacific stands now, we have been told that legislation is included in the list of legislation slated in the house. I do not know of any change in that.

Mr. RHÉAUME: If it were shelved it would be a serious blow to Canadian National Railways and to the Canadian Pacific Railway?

Mr. GORDON: If it were, both Mr. Crump and I, I think, would feel it necessary to have a talk with government with regard to the implications which flow from such a decision.

The CHAIRMAN: Are we through with services?

Mr. FISHER: Mr. Gordon, have you and the Canadian Pacific Railway in concert any joint appraisal of what effect the elimination of the bridge subsidy will have upon shippers within the bridge territory itself?

Mr. GORDON: Yes. You asked a question before, I think, on the subject of the East-West subsidy, and perhaps I can answer the whole thing at one time.

Your previous question—and I may as well dispose of it now—was in regard to the question of the rate. What has happened there is that the subsidy is fixed at \$7 million and, because it is a fixed subsidy, the Board of Transport Commissioners has found it necessary to adjust it from time to time in relation to the volume of traffic because they cannot keep the rate steady, and there have been eight changes or adjustments both up and down in regard to the actual subsidy paid. The effect of the board order issued in that respect is a decrease or increase in their rate reductions in order to maintain the aggregate subsidy at a figure of \$7 million. Have I made myself clear?

Mr. FISHER: Yes.

Mr. GORDON: You say what would be the effect when that subsidy is eliminated. I just do not know, but I would suspect that it would have an effect in decreasing our volume.

Mr. FISHER: We are concerned with that. We have a number of new enterprises, not just in my constituency but in all northwestern Ontario, particularly saw mill operations. The margin that enables them to operate is very narrow because of the very strong competition from western lumber. Very substantial expenditures have been made recently both on the south and north lines of Canadian National. Canadian Pacific does get some of the traffic. These people are very worried about the effect of the removal of the bridge subsidy. I am sure they are going to be down here protesting it when it is before the committee, and it may be a useful process. However, I think some encouragement might be given them if they felt the railways, in concert, were prepared to look at their situation and if they considered the railways would have sufficient flexibility under the new situation to give some kind of incentive rates, or at least an undertaking to look at the possibility of some kind of incentive rates to enable them to keep in business.

Mr. GORDON: We will certainly do that. In any cases where these artificial subsidies are eliminated it will be a practice to investigate very closely how we continue to hold the traffic.

We are not just going to have an automatic adjustment of the rate. We want to see what needs to be done to hold the traffic. If we cannot produce a compensatory rate, then that is it. If the competition is going to take it away from us, that is one thing, but we will most certainly consider the problem of the particular enterprise not only to retain the traffic for the railway but to assist them to reach their market on a basis where they can be competitive.



Mr. FISHER: In this question, how close is your interaction with the C.P.R. since you both tend to serve, not identical points but generally, the same region? Will there be a serious attempt on the part of the railways in concert to keep their rates at a level, or is there a likelihood of some kind of bidding developing?

Mr. GORDON: I do not think it will work in the way that there will be much bidding in connection with the railway freight rates as between the two railways. I think we will reach a rational point where the rate will be a common rate because whoever quotes it, it will be met, and so there will be an automatic level established in that way.

Mr. FISHER: That is all the questions I have on that.

The CHAIRMAN: Are we through on "services and equipment"?

Mr. HORNER (*Acadia*): Not on equipment. I would suggest that we finish with services and that we break for lunch.

The CHAIRMAN: Are you through with services? We will go on with equipment at 3:30 p.m.

Mr. MACEWAN: I am on your list for equipment.

The CHAIRMAN: You are always on the list if Mr. Horner gives you a chance. The meeting is adjourned until 3:30 p.m.

#### AFTERNOON SITTING

THURSDAY, June 18, 1964.

(Text)

The CHAIRMAN: Order gentlemen, we have a quorum.

(Translation)

Mr. BEAULÉ: Mr. Chairman, before we proceed with this meeting, I am wondering if we could not sit earlier tonight, at 7.30 instead of 8 o'clock, due to the fact that Mr. Gordon would like to be in Montreal tomorrow on business. The work of the committee would progress more rapidly if we could sit at 7.30 instead of 8 o'clock.

(Text)

The CHAIRMAN: You have heard the suggestion of Mr. Beaulé that we should sit this evening at 7.30 instead of 8 o'clock in order to see if we cannot finish and allow Mr. Gordon to return to Montreal.

Mr. HORNER (*Acadia*): I am agreeable to that suggestion.

Mr. LESSARD (*Saint-Henri*): If that is put in the form of a motion I will second it.

Mr. HORNER (*Acadia*): I would be prepared to be here at 7 o'clock, Mr. Chairman. The Pearson film is being shown at 8.15 and I would like to get to it. However, I do not like to interrupt my duties here and I will be here.

The CHAIRMAN: Then it will be 7.30.

Mr. LLOYD: There may be another investigation in the privileges and elections committee.

The CHAIRMAN: On adjournment, gentlemen, we were on equipment. Would you proceed, Mr. MacEwan.

Mr. MACEWAN: In connection with this matter, I would like to make a short statement on some criticism which has been levelled at the Canadian National in respect of certain types of equipment. I believe it was answered in the press last winter and it mainly was to the effect that some of the United States cars which were rented by the Canadian National and used by it on the Canadian lines for transporting mainly perishable goods, such as the spuds from Prince Edward Island, were not as efficient or as good cars as the Canadian ones, and I am wondering if we might have some comment on that.

I would ask you to comment also on the fact that the cars used on Canadian lines in ratio to the United States cars were at one point 10 United States cars to one Canadian car. Also, I believe it was stated that if new equipment was put on the line by Canadian National to close this gap this would increase the transportation costs of these products. Could we have some comment on these matters, Mr. Gordon?

Mr. GORDON: I dealt with this matter when I was in Prince Edward Island just recently and met with a group in connection with this very point.

It is perfectly true the Canadian National reefer car is a better car, generally speaking, than the American car, but it is a pure matter of economics as to how many Canadian National cars we should provide ourselves in respect of the traffic available. It has been a traditional practice to use American reefers on a rental basis because they are quite satisfactory for moving the product. We find, generally speaking, it is cheaper than making a very large capital investment that would be involved in enlarging our fleet of Canadian National cars.

Mr. MACEWAN: I noted during the past year in the publication *Track*, which is put out by the Canadian National and covers their employees, that two new types of cars were brought out, the prairie schooner and the high beam car. I was wondering whether these cars are now utilized and are proving fully successful in your operations?

Mr. GORDON: Perhaps you could answer that question, Mr. Demcoe.

Mr. DEMCOE: The schooner is being used. I presume you have not seen them on the railroad. This is the low gondola with either a steel or canvas cover over the top of it.

The high beam car is still in the experimental stage.

Mr. MACEWAN: Finally, I wanted to say this. There has been a suggestion that there would have to be a major replacement of diesels on the Canadian National and three factors responsible for this were listed: the first factor was the shorter life of the diesels. The life of the diesel was estimated to be about 20 years. It is shown that some of them are spending too long a time in shops because the parts are no longer readily available for them.

The second factor is the heavier work load and in view of the heavier trains that are running now heavier diesel units are required. Instead of the 1,600 horsepower units it has been found that 2,200 to 2,500 horsepower units give better service and it has been suggested that savings from using the larger and more powerful diesels would offset the earlier write-offs of the older units.

The third factor is the increase in traffic. I understand that during the past winter the Canadian National rented about 20 diesels from American railways. I was wondering if any planning has been done in this connection or is the feeling in Canadian National, with the matter of recapitalization before it, that the necessary legislation on the MacPherson royal commission report should come forward and be studied before any real planning is done in respect of the diesel program.

Mr. GORDON: Are you reading from a trade magazine?

Mr. MACEWAN: Yes, I am reading from the *Financial Post*. I have not the date of it but it was sometime in February or March of this year.

Mr. GORDON: Yes. It sounds like a newspaper article by a manufacturer of diesels who hopes to sell more diesels. But, generally speaking, our diesel inventory is satisfactory. There may be some odd purchases or replacements arising out of traffic requirements but, generally speaking, we are not dissatisfied with our inventory as it stands. Is that not correct, Mr. Demcoe?

Mr. DEMCOE: That is correct. We have four units on order now and they are for replacement purposes.

Mr. MACEWAN: That is the heavier units?

Mr. DEMCOE: Yes.

Mr. MACEWAN: Finally, as I understand it, the payment of rental on United States cars does not cost as much as if you went out and bought more cars for the Canadian National lines.

Mr. GORDON: No. I think the reference to that was we have an insurance arrangement, so to speak, wherein some of the American railroads make available to us diesel locomotives if the grain shipments reach a point where we can not handle them. I cannot remember at the moment whether or not we took many of them. How many were there?

Mr. DEMCOE: There were forty.

Mr. GORDON: It was a short term insurance arrangement in that respect. But, if we found in the long run, of course, that we needed more diesels we would not continue renting them; we then would feel it necessary to invest capital and buy new diesels if there was a long, steady increase in traffic.

Mr. MACEWAN: And, I presume, the same would apply to your other devices and rolling stock.

Mr. GORDON: Exactly.

(Translation)

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: Mr. Gordon, as you know, there are several pulp and paper mills in the Quebec district. Since some time, there is a shortage of freight cars for the transportation of this product, and I know that the International Building Paper had to turn down several freight cars which were not sufficiently clean to carry paper. Have steps been taken to improve conditions at the pulp and paper mills respecting the transportation in freight cars?

(Text)

Mr. GORDON: Well, this is a continuing question in the railroad. It is part of our day to day problem. We have spotted shortages at times but, generally speaking, our cars are quite sufficient to take care of the traffic that you mentioned. We already have worked out a very good system of specifying special cars for the newsprint traffic; these are the yellow door cars that we originated following our own research work on them. These yellow door cars are specifically kept in shape to ensure that they are satisfactory for the transportation of newsprint.

(Translation)

Mr. BEAULÉ: But when there is such a shortage and employees must clean the freight cars, the company must pay overtime for this purpose, and when the cars reach the pulp and paper mills, the authorities at the mills refuse to accept them, thus causing double expenditure. Are you taking steps to avoid



this situation in the future, so that, when cars are being forwarded, and if you do not have those you mentioned, at least the other cars are clean and may serve a useful purpose in transporting those products?

(Text)

Mr. GORDON: Well, our policy is to keep our cars in such condition that they are satisfactory for the trade. But, as I say, this is one of the facts of life in the railroad business. Unavoidable situations of that kind do arise. However, we have no general problem which is chronic in any sense. Is that not correct, Mr. Demcoe?

Mr. DEMCOE: Yes. In this case there probably was an improper classification. There may be one or two cars that sneaked into a batch that was sent up to the C.I.P. and overlooked and when opened up for loading they were found unfit and had to be returned. But, we clean them and, if necessary, we even upgrade them.

The CHAIRMAN: Would you proceed, Mr. Horner.

Mr. HORNER (*Acadia*): In respect of equipment I wonder if Mr. Gordon would make a comment. I notice in this paragraph he deals with what appears to be rather crude improvements in respect of the hauling of grain. Has anything been done to improve the handling of grain generally in recent years?

Mr. GORDON: Are you speaking in terms of the kind of box cars we have.

Mr. HORNER (*Acadia*): In terms of cars there has been a tremendous increase in the size.

Mr. GORDON: Yes, that is right. You see we made a temporary arrangement in respect of the plywood covers on the gondolas and this has given us some ideas on whether or not a redesigning of the car might be advisable. But, we have no particular new program in regard to completely new styles of equipment for handling the grain.

Mr. HORNER (*Acadia*): You are speaking of redesigning the cars. It always has amazed me why they do not fill the box cars from the top. Have you made any studies in that connection and do you feel that this would speed up the handling of grain if there was any major change made in box cars.

Mr. GORDON: Mr. Demcoe, that is a practical operating question for you.

Mr. DEMCOE: The United States roads have started to use covered hoppers for handling grain, and we intended to use some of ours last fall but we just did not have sufficient on hand to use them both for grain and other commodities.

Mr. HORNER (*Acadia*): Is this a modified prairie schooner type of car?

Mr. DEMCOE: It is a covered hopper, the same kind of car as that which we now use for hauling potash and for hauling silica sand, salt, sugar and flour. It is a steel car and it has hoppers on top. In fact, we are trying a car out this week that has an opening along the full length of the car. One puts a spout at one end and fills it up from one end to the other; it is what they call a trough type hatch.

Mr. HORNER (*Acadia*): I have often wondered why they did not have this type of thing.

Mr. DEMCOE: We have just got one from the Pullman Car Company in Chicago and we are trying it out in the potash business.

Mr. HORNER (*Acadia*): Have there been any major changes in the handling of grain at the terminal end, or is this all pretty well automated now?

Mr. DEMCOE: No, there are a number of elevators that still use hand methods for unloading grain from box cars. There are a number of companies

which have mechanical machinery that picks up a car and then rolls it from side to side and tips it over, and they unload it in about four or five minutes. In fact, there is one in Halifax.

Mr. HORNER (*Acadia*): Are Canadian National Railways connected with the grain handling facilities on Vancouver island? Is it Canadian National that has to ferry cars across?

Mr. DEMCOE: That is right.

Mr. HORNER (*Acadia*): Has there been any effort made on the part of Canadian National Railways to encourage the dismantling of the elevators in Victoria and the building of larger facilities in Vancouver? It looks like a costly arrangement to take freight cars right on to boats and right across and then to handle them there again.

Mr. DEMCOE: We are trying to convince the people concerned that it is much more economical to handle it from the mainland, either in Prince Rupert or in Vancouver.

Mr. HORNER (*Acadia*): While we are dealing with this point I might as well ask what type of agreement Canadian National Railways have concerning these elevators on Vancouver island. Is it going to run out soon or is it going to go on?

Mr. DEMCOE: I have not the details regarding the elevator on Vancouver island.

Mr. HORNER (*Acadia*): But you do agree that it is a costly way of handling?

Mr. DEMCOE: We do not get any additional revenue for hauling it over.

Mr. HORNER (*Acadia*): You do not receive additional revenue for handling it?

Mr. DEMCOE: No.

Mr. HORNER (*Acadia*): It is an interesting point, and I bring it to the mind of Mr. Gordon because he, in his Winnipeg speech, outlined many changes that could take place on the prairies in regard to the method by which the farmers handle grain, and yet there are still many improvements that might be made by the railways.

Mr. GORDON: That is right, and in my speeches I emphasize that I want all the people to get together so we can all contribute and learn one from another. We can learn from the farmer, and I hope the farmer will learn something from us.

Mr. KORCHINSKI: I have a question with regard to the type of railway box cars that are designed. I was just wondering why it is not possible to design a car which will open up at the top. It is quite easy to load a car of dry grain but when one is handling damp grain it is more difficult. Most of the elevator agents find difficulty in spreading the grain around inside the car and trying to load past it. Why cannot the top open up so the cars can be filled up to capacity?

Mr. DEMCOE: That is what we did in the cars to which Mr. Gordon has just referred. We had a plywood roof put on those and, I think, there were four hatches located at the quarter points in the car so one could take one's spout and move it into the four different locations to fill the car. Then, when it arrived at the elevator it was unloaded from the bottom by opening up the hoppers.

Mr. GORDON: We have a committee of officers charged specifically with the duty, in conjunction with our research work, of examining and testing every form of suggestion and idea of which we might think ourselves or which may be brought to our attention. That is constantly part of our research work. So, if you have any ideas along this line, let us have them. Let us have them and we will test them out and examine them. I cannot give you offhand the

answer to your question, but all the time we are testing and examining things that are sent in to us, so the question of improving the design of cars or improving the utilization of cars is a big part of our business in the research department. In recent years there have been far more special types of cars put into operation than there has ever been in the history of the railroad.

Mr. KORCHINSKI: I have never seen any of the prairie schooner type cars. Is there a provision for a catwalk on top?

Mr. GORDON: For what?

Mr. KORCHINSKI: For a walk on the top of the car?

Mr. DEMCOE: You can walk on top.

Mr. GORDON: I would suggest that you had better be a cat to do it; it really is a catwalk.

Mr. KORCHINSKI: When you transformed some of the ore cars, what was the capacity in comparison with some of the other box cars?

Mr. DEMCOE: We have two types, I think—the 50 ton and the 70 ton ore cars.

Mr. KORCHINSKI: How does that compare with an ordinary box car?

Mr. DEMCOE: They run from 40 to 60 tons, and we are buying some new ones now that will be 70 tons.

Mr. KORCHINSKI: With regard to transport of automobiles, I notice that you were able to transport a lot more cars than a few years ago, let us say. I think what you have done is to extend the length of the car and so on. Is it not possible to do the same thing with box cars for hauling grain? Is this what you are doing now?

Mr. DEMCOE: Yes, we were one of the first railroads to lengthen our cars to approximately the same length as the passenger cars. The passenger car is approximately 85 feet long, and that is approximately the length of the tri-level car which is the open type used for handling automobiles.

Mr. KORCHINSKI: Does the fact that on some branch lines you have a track that is not very good make any difference to the type of cars you can put on it? There are different types of rail on these tracks and different weights of rail. Does that affect the type of box car you can design?

Mr. DEMCOE: That is right.

Mr. KORCHINSKI: So, the fact that you have replaced the rails on some of these tracks would result in your being able to design cars that could take more grain?

Mr. DEMCOE: It is not only a case of the rails but also the capacity of the culverts and the bridges as well. In many cases it is really the bridge restrictions that are the major factor, and until we renew or strengthen the bridges we cannot operate heavier cars or locomotives over those lines.

Mr. KORCHINSKI: This is very interesting because it seems to me that in many of these branch lines—which are perhaps candidates for abandonment—you do not improve the services and because of that you cannot put on a bigger car, yet in your Winnipeg speech you say there will be more stoppages because you cannot spot so many cars at one time and if you could spot five cars normally you would have to take on 2,000 or 10,000 bushels of grain and so on and you might require another stop. If you had bigger equipment you would be able to stop less at those points. All this is important to those lines. I wonder whether you are voluntarily stopping those lines. These must be considered. I am sure you must have considered whether you will improve the culverts in those areas and you must have an idea what you are going to do five or ten years hence.



Mr. GORDON: The traffic now available or the traffic potentially available? If we could see that we would get more traffic, then we would be prepared to upgrade the line in question; but there is no point in just upgrading the line in order to have a higher grade if the traffic is not there.

Mr. KORCHINSKI: But there must be lines which you are allowing to deteriorate because—

Mr. GORDON: Yes, because of the fact that the traffic is not there.

Mr. KORCHINSKI: In the course of a few years you will say that it will absolutely cost too much to bring it up to the standards you have established.

Mr. GORDON: You do not upgrade a line without upgrading the cost involved. You have to spend a large amount of capital to upgrade a line, and it becomes a question of whether or not it is worth while. You do not reduce the cost just by upgrading the line. If the traffic volume is there, it may be that it would justify the expenditure involved, but again, with increased expenditure, you get higher interest cost, higher maintenance cost, and so on.

Mr. KORCHINSKI: By the same token, you do not reduce the cost by using smaller cars. If you normally used larger cars, you would have lower costs.

Mr. GORDON: The two things are relative. If you have a lower grade track and smaller equipment, then your capital investment is in relation both to the equipment and the track. If you upgrade the line and have a higher capital cost for an upgraded line, that becomes cost against traffic, and if you do not get the traffic, you will not break even. It is a matter of pure economics.

Mr. KORCHINSKI: It depends. If you look at any particular line, there may be certain economies that one may suggest.

Mr. GORDON: You can rest assured that if the spending of money to upgrade the line were to reduce the cost of handling the traffic on that line, we would do so.

Mr. KORCHINSKI: Let me suggest this: For example, take a line where you had a 60 pound rail over which you transported, say 2,000 bushels of grain. If you had a 100 pound rail on that line you would not have much breakage of rails and therefore your maintenance would be smaller.

Mr. GORDON: That is taken into account.

Mr. KORCHINSKI: But if you put a big car on a 60 pound rail, you are going to have greater maintenance costs and therefore your costs are going to climb and climb to the point where it would no longer be possible to maintain this line.

Mr. GORDON: If the situation were such that we would get more traffic on the line, if, for instance an improved line were to encourage a farmer to grow more wheat and therefore more wheat would come off on that line, then it might be worth while, but we have to balance the costs against the particular traffic.

Mr. KORCHINSKI: What you are suggesting is that wheat hauling is quite profitable.

Mr. GORDON: I am not suggesting that.

Mr. PASCOE: Mr. Chairman, I had some questions on these box cars for grain but they were pretty well answered. However, I will pursue it a little further. In the report here there is mention of a thousand hopper car with plywood covers converted to hauling grain, and it says, "on temporary basis". In view of the fact that there is a great need to fill our contracts before the end of the crop year on July 31, are they still in service?

Mr. GORDON: To this extent that, first of all, we have handled all the grain offered to us without the slightest difficulty in regard to equipment. These cars

have been converted in the form of an experiment. They are covered with plywood and used for the haulage of grain on a seasonal basis, and when they are put back into regular service most of the covers, as I recollect it, are salvageable.

Mr. DEMCOE: We removed all the covers this spring, and those hopper cars that we used for hauling grain during the late fall and the winter months are now back in the sand and gravel business.

Mr. PASCOE: That is the part I wanted to know. There is another part here regarding 100 covered aluminum hopper cars that you are ordering. I hope that is for the growing potash business in Saskatchewan.

Mr. DEMCOE: Yes.

Mr. PASCOE: I must warn you there will be a great demand for them.

Mr. GORDON: We are closely in touch with that situation, and again I can assure you it will not be lack of equipment that will prevent our handling of the traffic.

Mr. PASCOE: I want to point out that the mining system in Moose Jaw is coming into effect this fall.

There is just one more point with regard to the ice refrigerator cars that are being converted to mechanical refrigeration. Where were you getting the ice when these were ice refrigerator cars? Are you putting ice firms out of business?

Mr. GORDON: We are certainly reducing their business.

Mr. PASCOE: Was the ice bought from some commercial firm?

Mr. GORDON: Yes. I do not recollect anywhere where we produced our own ice.

Mr. DEMCOE: We have ice every 300 miles along the railroad to provide for the ice refrigerator cars, and the idea of the mechanical refrigerators is to obtain a better uniformity of temperature so that when a customer says he wants a car at 32 degrees, he can get it at 32 degrees and it will be maintained at 32 degrees. If he wants it at 42 degrees, we can set it at 42 degrees, whereas with an ice refrigerator car you have quite a variation in temperature.

Mr. GORDON: These designs, by the way, were designed and worked out by our research people. We produced these cars ourselves.

Mr. PASCOE: Is it the idea that they will eventually all be mechanically refrigerated?

Mr. GORDON: I would think in the long run the ice car would be a thing of the past.

Mr. LLOYD: Mr. Gordon, at the port of Halifax last winter there was a time when grain movements were not moving into the elevators in the quantities that one would have expected having regard to the projected movement of grain that had been announced. Do you have any knowledge of what happened at that time? Was it owing to a lack of cars, or did the trouble go back to the origination of the movement of grain? I believe there was some inquiry.

Mr. DEMCOE: I think it was owing to lack of ships to take it away from the elevators. It was not because the railroad could not deliver the grain from the bay ports to Halifax.

Mr. LLOYD: You say it was owing to lack of ships? We understood that the Russians had arranged for their own hulls to move grain, but it was not our impression that it was a lack of ships that delayed the grain movement.

Mr. DEMCOE: We always had sufficient cars on hand for each day's unloading.

Mr. LLOYD: I leave it to my colleague. He had information to the contrary.

Mr. GORDON: The targets in regard to the movement were set for both railways by the Wheat Board, and there was a stipulated target day by day on how much wheat they wanted picked up and the port to which they wanted it delivered. I can assure you that the C.N.R. not only met those targets but were, in some cases, considerably in advance of them at all times.

Mr. LLOYD: There was a period when we were watching very closely the input to the grain elevator, and there was reason for concern. I notice that you describe your conversion of certain types of equipment from their customary use to grain movement and I have listened to the explanations you have given, but this coming year are you equipped to meet demands for grain movement to winter ports in the Atlantic region, in Halifax and Saint John?

Mr. GORDON: We have no worry on that score. We are fully satisfied we will have ample equipment to move the grain in accordance with requests.

Mr. LLOYD: And this of course has been owing to your liaison with, I suppose, the Canadian wheat board? Do you know the likely volume of traffic movement?

Mr. GORDON: Yes, they set the targets for us and we meet them.

Mr. LLOYD: May I ask one very parochial question? There is a series of freight sheds in the north end of Halifax, right on the fringe of the development area at the north end of upper Water street. Those buildings were severely shaken owing to the big explosion in Halifax in 1917. I do not think they have been repaired since. Are you proposing to abandon them? Perhaps one of your officers might know the answer.

Mr. GORDON: I do not know the answer to that. Mr. Demcoe do you know what the situation is?

Mr. DEMCOE: Where our freight sheds are located?

Mr. LLOYD: Almost to the dockyard, on upper Water street.

Mr. GORDON: Are those surplus?

Mr. DEMCOE: We are using the freight sheds but there is no plan at the present time. Eventually we intend to get the L.C.L. and the express moved together, and when they are put under one roof we will probably get rid of the sheds.

Mr. LLOYD: I do not want to take up the time of the committee now to pursue that matter, but I would appreciate receiving a communication from you, Mr. Gordon as to what your plans are in respect of this problem.

Mr. BELL: May I ask a question with respect to the charges made last winter about glass being in the grain?

Mr. GORDON: Yes.

Mr. BELL: This was quite well known to your public relations, and I would like to ask if you did investigate the matter and if you have anything readily available by way of comment?

Mr. GORDON: The railways were never involved in those charges. The story, as I have it, is the glass was alleged to have been found in the ships. The story was very much exaggerated. It was traced back to some bottles of beer, or something of that kind, which had been knocked into the grain accidentally. On the final score it turned out to be largely a myth. The allegation never affected the railways. It was never said that the glass got into the grain while the grain was in the hands of the railways.

Mr. BELL: The story we heard was that it all came from the lakehead, around Fort William.



Mr. GORDON: That can readily be disproved because surely there are no beer bottles coming from Fort William.

The CHAIRMAN: Mr. Regan.

Mr. REGAN: Mr. Gordon, turning again to the Halifax area, is there an optimum distance established from a terminal, particularly from a waterfront terminal where you load ships, to the marshalling yards? At the present time your marshalling yards are located all along the shore of Bedford basin on land that eventually will become highly desirable for industrial or other types of development. Do you have in mind a long range plan on development, including the establishment of larger marshalling yards in that area, or would they be at some distance away? Must they be within a certain distance of the waterfront?

Mr. GORDON: No. The marshalling yards are always designed in relation to the type of trains we have to marshall. I would assume in the area mentioned it has been pretty well established by now what we really need.

Mr. VAUGHAN: Do you mean that you think it is in the wrong place?

Mr. REGAN: I may think it is in the wrong place. But are you aware of the representations of the Rockingham Ratepayers' Association to the effect that eventually there will be a bridge across the narrows, and that the marshalling yard should be located somewhere in the wilds behind Dartmouth?

Mr. GORDON: Yes, I have heard it; but the matter is not actively under consideration.

Mr. REGAN: There is no active consideration being given to transferring the marshalling yards at the present time?

Mr. GORDON: Not to my knowledge.

Mr. REGAN: You are not in a position to comment on the feasibility of such a situation, should the value of the present land become greater?

Mr. GORDON: If the value of the land should increase, it would be considered at once. The position could be changed at any time.

The CHAIRMAN: I do not think we can pursue that subject too much, because we were in yards some time ago.

Mr. REGAN: I considered it as being equipment.

The CHAIRMAN: I think we would have to reconsider it.

Mr. REGAN: I shall debate it at ten o'clock, then.

The CHAIRMAN: Now, Mr. Marcoux.

(Translation)

Mr. MARCOUX: I will ask a question which is in order; I hope it was not asked previously. It was stated recently that a new train would be used on a trial basis on the Ottawa-Montreal line. Meals will be served on that train. It was said that forty-eight passengers, instead of forty, could eat at the same time, and that the kitchen would be equipped with a short-wave communications system, or something of the kind. From this precise fact, I would like to obtain information concerning a general matter: On what basis do you determine whether or not the new equipment will be economically profitable? On what do you base yourself, after what period of time and after how many experiments, to determine whether or not such equipment is good, useful and even necessary? For instance, could the equipment used between Ottawa and Montreal, in view of the fact that the trip lasts only two hours, be used between Ottawa and Toronto, where the trip is much longer and a lesser need for efficiency is required? Are there general principles which determine the method of evaluating the efficiency of new equipment?

(Text)

Mr. GORDON: Well, the general principle is that we are experimenting with all sorts of ideas to see how the public responds. The real test is whether the public will use the equipment in the manner we have designed it. There is no way I know to test it apart from actual experience. After we have formed an idea of what the passengers would like to have, we will conduct an experiment, such as we did the other day. You were down at the luncheon at the Union Station the other day, were you not? Oh, I am sorry, you were not. But we had some members of the committee down there for lunch at the station and they saw the car right there. There was a meal cooked for them by the microwave oven, which does it in a matter of seconds. We shall see how the public responds to it before we go further. But if the public likes it and takes to it, we might very well decide to convert more cars in that respect.

(Translation)

Mr. MARCOUX: But is it only a question of efficiency or could it be, for example, that the old dining cars can serve as many passengers during a longer period, for instance three instead of two hours? Will these changes be made even on lines which require more time between two points, i.e. Ottawa and Montreal? This takes two hours. Certain trains make it in three hours.

(Text)

Mr. GORDON: Well, it is a combination of the factors really. The amount of time available between Montreal and Ottawa is, as you have said, two hours, and we want to get it done as quickly as possible. In addition to that there is the cost of cooking. Whether with the pre-cooked meals and with the means whereby they are readily heated we can cut down the cost of the meals is something which is now undergoing tests. The real matter is what the public likes and what they will buy. We are busy testing all sorts of ideas along that line. We have another test where we are making one meal available instead of half a dozen selections, such as we used to have in the olden days. We used to have a very expensive method of providing meals on trains. I always felt that it was unnecessary, and that we might be able to condition the public not to expect, shall I say, hotel service, so to speak, when travelling on the trains. So long as they get a reasonable meal, that is all we think they should expect.

The air lines, for instance, have been serving one meal for some considerable time, and you do not get much choice at all. We are experimenting to see if the public will take a liking to it. We expect to receive complaints, but by and by we hope to educate the public to accept a reasonable service. In Europe on the trains there are various forms of providing meals. We are going to try to cut down on the expectation of the luxury which Canadians seem to regard as their traditional right.

(Translation)

Mr. BÉCHARD: Mr. Gordon, on the same subject, I wish to say that last Monday I experimented that new service on the Canadian National, and personally I prefer the former system. Therefore I can make comments.

(Text)

The CHAIRMAN: Mr. Rock?

Mr. ROCK: I would like to make some comments. I think it depends on how happy a person is in his selection.

The CHAIRMAN: Are you talking about equipment or services?

Mr. ROCK: I thought I was on the same subject on which Mr. Gordon answered Mr. Marcoux, that is, on equipment, and what is going to be put into equipment. Surely it is food.

Mr. RHÉAUME: We are on freight services, are we not?

The CHAIRMAN: We are talking about equipment now, but we can go into passenger services later.

Mr. ROCK: How did Mr. Marcoux get on to the question?

The CHAIRMAN: Order, order.

Mr. ROCK: He is talking about new dining cars.

The CHAIRMAN: He is talking about replacing equipment such as dining cars.

Mr. GORDON: In my opinion he should not have been, but he did.

Mr. ROCK: I think that my question was in order, but it was out of order at the end.

The CHAIRMAN: We are on freight services. Are we through with freight services?

Carried.

Now, express. I took note of your note.

Mr. HORNER (*Acadia*): I should like to ask a question in respect of the item "freight services", Mr. Chairman, if I may.

Is there a definite trend in the prairie provinces away from L.C.L. freight or express freight? Have you noticed a reduction in this type of service within the past few years on the prairie provinces?

Mr. GORDON: We are attempting to join together our express services and L.C.L. under one heading. I put on the record last year several pages of evidence in respect of the outline of our policy in this regard which can be found commencing at page 156 of the sessional committee hearings. I covered this subject in great detail, indicating our policy and outlook.

Mr. HORNER (*Acadia*): I will look up that evidence. I was not on this committee last year, Mr. Gordon, or probably I would not have asked this question.

Mr. GORDON: I think you will find that subject very thoroughly explained in that evidence.

Mr. HORNER (*Acadia*): On what page does that evidence commence?

Mr. GORDON: That evidence begins at page 156 of last years Minutes of Proceedings and Evidence.

Mr. VAUGHAN: I think your statement was made in 1962 and dealt with again last year.

Mr. GORDON: I am sure there is quite a lot of evidence on the record of last year in this regard.

Mr. MacEWAN: I should like to ask one or two questions in respect of a constituency matter, although the area to which I have reference I feel is quite large, having in mind this particular subject.

In the area of Stellarton, Westville and New Glasgow, in my constituency, there is an establishment for piggyback service and also an L.C.L. system as outlined here in your report. There has been a considerable amount of criticism in respect of the fact that the facilities there are inadequate. There is only a small building with a ramp there for piggyback service. The building is quite small and I am wondering whether the Canadian National Railways officials are looking into the matter of providing larger or more adequate facilities for that area. There is quite a bit of express freight in respect of the three or four towns in that area as well as the surrounding areas. Are there any plans at the present time in this regard?



Mr. GORDON: The whole area is in an experimental stage in respect of this whole question of freight and express handling through the master agency principle. I would also suggest that this is in a disorganized state at the present time because we are involved in quite a number of different situations. This is a very difficult time for us in this regard. You did mention Stellarton?

Mr. MACEWAN: Yes.

Mr. GORDON: I was just looking for information in this regard and I find Stellarton is one of a group of towns that is involved in this general process of reorganization. I think you will see an improvement there during the course of the next year.

Mr. KENNEDY: Do not forget Truro.

Mr. GORDON: No, I will not forget Truro.

The CHAIRMAN: Mr. Marcoux?

(Translation)

Mr. MARCOUX: We are still dealing with the heading "Freight Services"?

The CHAIRMAN: That is correct.

Mr. MARCOUX: Can we talk about trucking subsidiaries?

The CHAIRMAN: Later on. Mr. Matte is next.

Mr. MATTE: Is it the same thing? This deals with services.

Why is it that the freight rates are often 50% higher than by truck, particularly with respect to small items?

The CHAIRMAN: Would you reserve that question for later?

(Text)

We are considering the item headed "Express Freight".

Have we concluded our discussion of the item covering express freight?

Mr. HOWE (Wellington-Huron): Mr. Chairman, in connection with express freight I notice that there is a master agency plan in existence. Has there been an improvement in revenue from express and L.C.L. shipments since you have been using trucks in that part of western Ontario from which I come, around Guelph, and have you recovered some of the business?

Mr. GORDON: I cannot answer this question intelligently at the moment because we went into the railhead principle or master agency principle to arrest a very alarming downward trend in our express and L.C.L. business. We are not far enough ahead in working out this very complicated reorganization, as indicated by the master agency principle, for me to really say more than that I do see we have stopped the downward trend. Whether we can swing back around will have to be demonstrated.

Mr. HOWE (Wellington-Huron): This system has not been in operation long enough to give any real indication; is that right?

Mr. GORDON: The system is not sufficiently completed to give a sound indication. In some respects we are fairly far advanced while in other cases we are not. The adoption of this system involves not only a matter of organization of physical facilities but requires integration of labour forces, new training, new clerical devices and the working out of documentation in respect of the movement of traffic. We have reached the stage of being in a situation where there is no clear picture, and we will have to be patient until we see how the experiment is working out.

Mr. HORNER (Acadia): Two years ago I think you told me the master agency plan was in the stage of testing in the mountain region. I understand this system is still on a test basis; is that right?

Mr. GORDON: The mountain region is an area where we feel we have demonstrated the success of this system. We are making good progress in that region.

Mr. HORNER (*Acadia*): There is an indication in respect of the Atlantic region that this system has been well received by customers and community interests?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): While criticism may be premature I am of the opinion that many communities in my area feel that this master agency plan is going to reduce the business of the C.N.R. in those areas.

Mr. GORDON: I am sure there will be all sorts of opinions expressed until we really get this system functioning. At the beginning there were very serious objections in respect of various phases, but we have very seriously and honestly worked on the situation, and I think have improved public reaction to it very satisfactorily in the last year or so. We have had teams of officers out explaining the situation. These people are individuals with practical experience, and I am personally convinced that the system is going to prove to be of great success when we finally work it out.

The CHAIRMAN: Have we concluded our consideration of express freight?

Some hon. MEMBERS: Carried.

The CHAIRMAN: We will now consider trucking subsidiaries.

Mr. Gordon, do you intend to make a statement in this respect at this time?

Mr. GORDON: I think I may as well make this statement because it will, I hope, influence the type of questions asked by members under this heading.

Before responding to questions regarding our trucking activities, I would like to make the following observations.

When I appeared before the sessional committee in November 1962, control of Midland Superior and Husband Transport by Canadian National Transportation Limited (CNTL), while authorized by the provincial boards, had been delayed by appeals lodged by the trucking interests against the authorizing order of the Quebec transportation board. These appeals were abandoned in the very last days of 1962 and transfer of control of the two companies was completed forthwith. I emphasized before the committee that we were in a transitional period. Some of the evidence given by me at the sessional committee is capable of misinterpretation, particularly if considered out of context. My purpose now is to clarify the situation and the Railway's position in regard to its subsidiary trucking companies.

The separate corporate entity of each subsidiary has been maintained and each is operated separately from the Railway. None of the directors is a director of Canadian National Railway Company (C.N.R.) or CNTL, although the majority of the directors of each subsidiary are officers or employees of CNR or CNTL. All of the subsidiaries are subject to the jurisdiction of the various provincial regulatory boards in the same manner as other trucking companies with respect to the securing of permits, the filing of tariffs and establishment of rates. Each company has its own accounting, its own controller and its separate organization. While the accounts are kept separately, they are combined for purposes of our annual report. It is not our intention to indicate individual figures, as we would be placed in a disadvantageous position vis-à-vis our competitors. Each company has its own bank account, hires and pays its own employees. A few railway employees are on loan to the subsidiaries, but their services are charged for. The employees of the subsidiaries do not come under the C.N.R. pension plan. Each company has its assets, such as vehicles, offices, furniture, revenues from operations, and its own balance sheet. Each appoints



an independent auditor and in the case of the two most important subsidiaries (Midland and Husband), the auditors have no connection with the CNR or CNTL.

In so far as control is concerned, there is no day-to-day control or direction by CNTL. This is neither practicable nor desirable. There is competition between the Railway and these subsidiaries and this is encouraged. Success in the operation of the subsidiaries depends upon sound management and in most cases, management has been left to those individuals in charge at the time of acquisition. Each subsidiary uses and develops its own skills, and profits depend upon their proper exercise. Major decisions in regard to enlarging franchises, large purchases of equipment, borrowing money, etc. would only be made by the board of directors of these subsidiaries in consultation with Mr. Frank Gaffney, vice president of the highway services of the railway. There have been economies effected by joint use of terminal and other facilities, the expense of which is apportioned among the subsidiaries concerned, according to use.

The subsidiaries look to CNTL for their financing. All loans carry interest at market rates and must be repaid in the usual course of business as money is available. To date profits have been used to repay advances or for use as working capital. No dividends have been declared as yet.

I trust that these observations have accomplished my purpose, of clarifying the situation to some degree at least.

Our progress in the trucking business, operated in association with our railway operations and designed to give the shipping public the best transportation service possible, has been significant. It has, however, been beset with difficulties, not the least of which have been the tactics of the trucking associations in their avowed objective to drive the C.N.R. out of the trucking business. Their opposition to our applications to provincial boards is intense and bitter—their representations to federal and provincial governments equally intense and bitter and never-ending.

At the moment there is pending before the superior court in Montreal a legal action instituted by the Canadian Trucking Associations Inc., the trucking associations of Quebec Inc. and others against C.N.R. and CNTL. In this action the C.N.R. is unjustly charged with operating beyond the powers conferred on it by section 27 of the Canadian National Railways Act, inasmuch as it is claimed that C.N.R., through CNTL or its subsidiaries on the highway, is carrying on operations which are not in conjunction with, or in substitution for rail services.

In addition, in an application made at the beginning of this year before the Quebec transportation board by Midland Superior Express Limited for extension of its permits, the Canadian Trucking Associations Inc. and the trucking association of Quebec Inc. have raised the same question. The matter is still under advisement by the said board. At this hearing the trucking associations filed as exhibits copies of the minutes of the proceedings before the sessional committees in 1962 and 1963. In the action referred to above, a motion is presently before the court to amend the declaration by including the same exhibits as part of their evidence.

In view of this pending litigation and as advised by counsel, I do not believe that I should give any further answers to questions which may have to do with this litigation. There are questions of the relevancy of evidence, statements taken out of context and their meaning distorted, the intricacies of integration of operation and control of subsidiaries through stock ownership or otherwise, the effect of such control on the rights of CNTL and its subsidiaries to operate on the highways—all in issue in this litigation. These will be dealt with in the court proceedings where both sides are represented by counsel and the court



is in a position to rule on admissibility of evidence and its construction in regard to the problems involved. It is considered that in the circumstances that evidence pertaining to this litigation should be given in court.

The CHAIRMAN: Would you proceed, Mr. Fisher?

Mr. FISHER: Mr. Gordon, do you see anything paradoxical in the fact you are keeping these subsidiaries distinct and separate. Do you insist they are in competition with the railway lines in view of the fact that you are basically a railway operation. Now, I put it to you that if it is absolutely necessary from management's point of view that Canadian National should be in the trucking business, then it is hard to understand why it is necessary to keep these subsidiaries separate and distinct and in competition with the railway. I cannot see the value it serves.

Mr. GORDON: Well, that, of course, is the point I am trying to get over. It arises out of legal procedures required by provincial boards in the granting of franchises or permits and the control of operations under them. We attorn to local jurisdiction and in order to do that it is necessary, I am informed by our legal counsel, to keep these operations separate so that the permit is applicable to the particular operation.

Mr. FISHER: But, in most of the trends in recent years, including the C.P.R., there is a tendency to clear up the profusion of companies that come within the corporate structure.

Mr. GORDON: Yes.

Mr. FISHER: Do I take it the major reason why this is not open to you at the present time in the trucking situation is that of provincial licensing and control?

Mr. GORDON: This is what counsel has warned me against answering because the question is before the courts, and action has been taken against the Canadian National, in my opinion, because they regard us as, for example, being a crown company. But, they have not taken action against the other railroad.

You see, when I mentioned here in my statement about being taken out of context and capable of misinterpretation, that arose by reason of the fact that you and I, in fact, were discussing at one point whether or not we had made a prudent purchase in regard to certain of the trucking companies. Now, in my attempting to convince you that the purchase we made was a good business purchase it became distorted in such a way, to use my reference to that, that it covered the operations of the companies and that evidence was taken out of the *Hansard* reports and brought as new evidence—I think quite improperly, although I might be in trouble again for saying that—into a case that had been started and was in progress in the courts. When I appear in court, as I have, or when a witness from Canadian National Railways appears in court, the lawyers on our behalf, very conscious of what the case is, will protest to the court about the admissibility of certain kinds of evidence or the interpretation that may be alleged in connection with it by the other side, and therefore I have the protection of counsel in connection with the case. First of all, they tell me I always talk too much, and I think you will agree with them! Besides which, I am drawn into statements which they can get hold of and reintroduce into court on a different basis from that which was intended altogether.

Mr. FISHER: In connection with the East-West, is the legal difficulty with regard to that firm the legal ownership?

Mr. GORDON: Yes, that case has been settled.

Mr. FISHER: Out of court?

Mr. GORDON: It was settled out of court on a direction by the court, as I understand it.

Mr. FISHER: Can you give me the terms of settlement?

Mr. GORDON: Just a moment; I would like to do so. Let me put it in this way: In the original purchase price we held back a certain amount of funds on the grounds that the vendors had failed to live up to the warranties contained in the purchase agreement. Now, the upshot of that was that the vendors got together with us and we reached a compromise in regard to the purchase price. We therefore settled at a lower purchase price than the original settlement. It became a matter of the money involved, and we reached an amicable settlement on that basis.

Mr. FISHER: As you know, in previous years I have raised a question as to which of these companies was remunerative. I assume from information I was given by certain interests that the Midland Superior was in a sense carrying the rest of the operations in so far as the question of there being any service was concerned. But I would like to know how soon you expect that you will be able, if ever, to indicate when we can look at the—I will not say the books—report for each of these companies.

Mr. GORDON: In my present state of thinking, and again under advice of counsel, I doubt whether that time can ever come. In other words, in the report that we make here we show that the net operating profit for the total operation was \$1.3 million.

Mr. FISHER: Let me put something to you. You do not hesitate to tell us which hotels are making money and which are not. You are quite prepared to go before the board of transport commissioners to indicate, under your cost accounting formulae—

Mr. GORDON: Can we leave it this way, Mr. Fisher, that if and when the court case to which I am referring, which has been brought up again, in my opinion, for purposes of delay—and every possible thing that can be done to delay has been seized upon by the truckers' association—when the case is settled, or if the court ruling is not what we think it should be and there is an appeal, when we are through with that I would undertake, if I am around, to have a fresh look at this to see whether or not we can provide the information that I know you are anxious to get. However, I think we would have to consider it in the light of what this case does to our operations.

Mr. FISHER: Have you any projects under way at the present time to pick up any more licences by purchase?

Mr. GORDON: No, there have been some discussions going on, I understand, but there is nothing far enough advanced that has come before me yet. We are always getting suggestions, you know.

Mr. FISHER: I know one trucker who is looking for a bid, as far as that is concerned, in one part of the country.

Mr. GORDON: Yes, certainly that is the way.

Mr. FISHER: Are these companies in any way limited in their expansion by the fact that they come under a provincial jurisdiction?

Mr. GORDON: On the advice of counsel I must refuse to answer that question. I am sorry.

Mr. ROCK: Mr. Gordon, how long was Canadian National Railways in the trucking business? I am asking this question for a purpose. I would like to know when your company had trucks in service compared to these other firms. I believe that Canadian National Railways were in the trucking business long before most of these trucking firms existed, and I would like you to clarify that.

Mr. GORDON: Canadian National Transportation Limited's charter goes back to the early thirties, at least. Of course, our express trucks go back, I suppose, to the origin of the railway. There has always been trucking of a type. As soon as there were trucks we had them. Before that, we had horses and wagons. The horse and wagon was the forerunner of the truck, of course, and we always had them associated with the railway.

Mr. ROCK: Would you say, then, that Canadian National Railways or any of the railroad companies which existed prior to their bankruptcies and which Canadian National Railways took over, were in the trucking business also in many parts of Canada for express services?

Mr. GORDON: You see, this definition of the trucking business is the question.

Mr. ROCK: I say, did they have trucks to deliver from the trains to the customers?

Mr. GORDON: Yes, very definitely.

Mr. ROCK: So you were in that business away back in the past?

Mr. GORDON: Yes.

Mr. ROCK: Possibly even before most of the other firms started business?

Mr. GORDON: I would say before any of them started in the use of trucks.

Mr. ROCK: The firms you have just purchased, if I may use that term—the Midland and Husband companies—are established on the island of Montreal. Where are they established? Where are their headquarters?

Mr. GORDON: Where are their headquarters on the island of Montreal?

Mr. ROCK: Yes, where are their warehouses and where are their central areas of location?

Mr. GORDON: You are thinking of the head office?

Mr. ROCK: No, where are their trucks and warehouses located? From where do they operate?

Mr. BEAULÉ: He means the warehouses.

Mr. GORDON: It depends which point they are servicing. They have terminals and warehouses at each point they were servicing within the rights and privileges of their franchises.

Mr. ROCK: I do not mean the point from which they are servicing—from what point to what point; I mean where is their central location. Where is their warehouse, say, on the island of Montreal? I believe you have one on Cote de Liesse.

Mr. GORDON: Yes.

Mr. ROCK: I believe two of them are established there.

Mr. GORDON: Yes, but I do not know exactly where.

Mr. VAUGHAN: Montée de Liesse in Ville St. Laurent.

Mr. ROCK: In Ville St. Laurent?

Mr. GORDON: Yes.

Mr. ROCK: That is Husband?

Mr. VAUGHAN: That is Midland.

Mr. ROCK: Where is Husband located?

Mr. VAUGHAN: At 6850 Upper Lachine Road.



Mr. ROCK: We were speaking about the piggyback service before and you stated that you are not too happy about the results at the moment. You asked for an inquiry into that. Have you been doing any piggyback service for your own subsidiary companies? Have you been getting business from your own subsidiaries, or is this what you are trying to investigate?

Mr. GORDON: I would appreciate it very much if you would not press that question because, again, it impinges on this legal question.

Mr. ROCK: I will not press it, then. I was going to ask you also if you have any intention of moving some of their main operations closer to your piggyback service.

Mr. GORDON: It could be; it might be as a result of the investigation that I am talking about.

Mr. HORNER (*Acadia*): It seems, Mr. Chairman, that we are really limited in this inquiry into trucking subsidiaries; but I take it from your Winnipeg speech, Mr. Gordon, you agree that Canadian National Railways can move grain at a rate of from four to eight cents per ton mile.

Mr. GORDON: I do not know. We have not used trucks for the movement of grain to my knowledge.

Mr. DEMCOE: No, not that I know of.

Mr. GORDON: The figures I quote there are as a result of other information. We have not had any practical experience of moving grain in trucks.

Mr. HORNER (*Acadia*): But this speech was "a very carefully edited speech", to quote your own words.

Mr. GORDON: I say that other people can do it from four to eight cents, from the information we have on this subject but I am not prepared to say we can do it. I do not know. I would assume we could.

Mr. HORNER (*Acadia*): You say that truck costs for the same movement are in the range of four to eight cents per ton mile.

Mr. GORDON: If others can do it, I would think we can do it.

Mr. HORNER (*Acadia*): Then, on page six you say—to get you back to this integrated trucking system—with regard to your obligation you are well aware that the C.N.R. is obligated to provide this service. When I questioned you earlier on this I said I would wait until the trucking question came up. If grain handling was brought up to date into a futuristic looking picture such as you tried to paint in your Winnipeg speech, and this integrated trucking system was set up, would it be part of the obligation of C.N.R. to carry this integration out?

Mr. GORDON: Not necessarily.

Mr. HORNER (*Acadia*): You will agree that the C.N.R. was obligated to many towns and communities because actually many towns in western Canada were built up on the instigation of the C.N.R., if we go back a good many years. You therefore would accept this responsibility as an obligation to provide service to those towns. Would you not feel that if you took away this service and you asked someone to transplant it with an integrated trucking service, the C.N.R. had a certain obligation to do that themselves?

Mr. GORDON: I am not pressing that. What I said was intended to be helpful, to suggest there ought to be a master plan, and the master plan can only be formulated if all the interested parties get together and talk the problem out. What I said, if you refer to it, is that the formulation of a master plan appears to be the job of no one authority or agency and, as is so often the situation in human affairs, what is everybody's job becomes nobody's job.

Mr. FISHER: We have here a latter day socialist.

Mr. GORDON: I have been called worse, Mr. Fisher!

Mr. HORNER (*Acadia*): I believe in the resolution on the order paper it is suggested that some sort of a body be set up. I am referring to the MacPherson report. Do you envisage this would take its place?

Mr. GORDON: This body here? I am reading the resolution. I have not been consulted about it. I would not regard this body as the kind of thing I had in mind. This body is to sit in judgment on whether or not a particular line should be abandoned or should not be abandoned, and if we press an application for abandonment, as I understand it, this body will take a new look at it. Again, you can make your own representations before that body, and on the basis of evidence everybody concerned will be able to state their views.

The CHAIRMAN: Are we going to stick to trucks?

Mr. HORNER (*Acadia*): You bet we are sticking to trucks. We are finding out who is morally obligated or who will fill the gap.

Mr. GORDON: That is what my speech is all about.

Mr. HORNER (*Acadia*): I am saying that perhaps Mr. Gordon and company are obligated to fill that gap.

Mr. GORDON: No, we are not obligated to fill that gap, nor are we capable of doing so.

Mr. FISHER: The MacPherson argument is surely that this particular mode of transportation is very easy to get into with relatively small capital resources, and I would certainly take from its recommendations that they would consider that this kind of service would be provided by organizations that would grow or develop on the spot.

Mr. HORNER (*Acadia*): It is nice of you to come to Mr. Gordon's defence, Mr. Fisher.

Mr. FISHER: I do not agree with the MacPherson commission.

Mr. HORNER (*Acadia*): I would like to bring it to your attention that this type of system would take the place of a great deal of capitalization now built up along branch lines and built up in many cases in western Canada at the very instigation of the C.N.R. and, in many cases, the C.P.R. Now, who is to set up the integrated trucking system? I say that it is up to the C.N.R. to move the grain, and if they want to move the elevators, then they have to get the grain from the present position on the elevators to their central location.

Mr. GORDON: That is your view and you will have an opportunity of stating it, I presume, when the branch line abandonment is being considered. What I was trying to do in this speech was to point out that there are a whole series of problems, and the question of compensation, as you mentioned yourself yesterday in regard to elevators especially and so forth, will have to be one of those questions considered, the question of whether or not farmer's problems should be recognized by some form of adjustment, and so on, but that cannot be done by the railways because we would be sitting in judgment of ourselves. That is why I am saying we are not capable of doing it. We are capable of making recommendations and we will bring out our views on the problem, and we will have suggestions on how our phase of the problem should be dealt with, but somewhere there should be a co-ordination of thinking and effort to see what is the best solution for the benefit—note my words—of the farmer. That is what I am talking about. If you get an efficient, modern, up to date, system of moving grain, and taking advantage of all the techniques that have been developed in that connection, the farmer must surely benefit in the long run because, as I have said here, the basic system of moving grain in this country was devised and came to being in the horse and buggy days, and basically it is the same system.

Mr. HORNER (*Acadia*): No, it has greatly changed. I would not accept that at all.

Mr. GORDON: There have been improvements.

Mr. HORNER (*Acadia*): You are suggesting the farmer has not taken advantage of modernization.

Mr. GORDON: No, I am not saying that. Certainly there have been great improvements with regard to the kind of vehicles used, but the notion that we have to move our grain in the fashion in which we are doing it is the same notion as it was in the horse and buggy days.

Mr. HORNER (*Acadia*): Some contractor of the C.N.R. moving grain from Vancouver island might think so.

Mr. GORDON: I will stick my neck out again. How much study would you say has been put into the possibility of moving grain by pipe line?

Mr. HORNER (*Acadia*): Quite a bit.

Mr. GORDON: I have not heard about it. I have not heard it coming into any public consideration. I know there have been studies of it. It may be that with proper examination of a master plan as I am suggesting it will develop that there are ways and means open to us today that were just not even in man's thinking back in the old days.

Mr. HORNER (*Acadia*): I have a further question, Mr. Chairman. In a sense you have set up an integrated trucking system with regard to the bringing of freight to the railways. Am I right or wrong?

Mr. GORDON: You did not say grain, did you?

Mr. HORNER (*Acadia*): No, I say you have set this up in many localities.

Mr. GORDON: Wait a minute. I am not going to comment on the use of the phrase, "an integrated trucking system" because that comes right into the legal case again.

Mr. HORNER (*Acadia*): But in a sense you stated before the committee, and I want to clear this up in my own mind, that the C.N.R. is engaged in acting as a feeder system to the main line.

Mr. GORDON: Yes. We do use trucks, not only our own trucks but we use hired trucks to bring traffic to our lines when it suits our purpose. Yes, that is true.

Mr. HORNER (*Acadia*): You do not foresee this being enlarged in any way, shape or form, in conjunction with your proposed plan for branch line abandonment, as you suggested?

Mr. GORDON: I say that is a possibility. That is one of the things that should be considered in the master plan if we can ever get a master plan under discussion. With your interest in it I would suggest you should be using your influence and efforts in Western Canada to raise hell about the fact that the people do not get together and talk about this in an intelligent way in regard to all phases of the problem.

There is nobody doing it. I am not going to say who should do it. I have a very strong opinion on who should do it, but I am not going to reveal it.

Mr. FISHER: I think the line elevators should be doing it.

Mr. GORDON: That may be, and there should be a co-ordinating body of some sort.

Mr. HORNER (*Acadia*): I think they should get together. I disagree with your statement that there is no get togetherness on the prairies.

Mr. GORDON: No. I never said that. I never criticized it. I have enjoyed it, as a matter of fact, on occasion.

Mr. CADIEU: On this question of getting together, may I ask what the two railways are doing in regard to getting together when one has running rights over the other? The Canadian Pacific has running rights over the Canadian



National from Prince Albert to a point on the Canadian National at Debden, for some 90 miles. Then the Canadian Pacific built 90 miles to tap the wealth of the whole Meadow Lake country, and stopped there. This forces all the people in the area to haul their grain over to Meadow Lake, and it is creating a lot of disturbance in that area of western Canada. I wonder what the railway companies are doing about it.

Mr. GORDON: That is part of the branch line abandonment program. I take it that is what you have in mind.

Mr. CADIEU: Yes. By stopping at the Meadow Lake country they are leaving that whole area of northern Saskatchewan in a turmoil as to what is going to happen. I think the railway companies have a problem.

Mr. GORDON: I would agree, but I would be the last person in the world to say that the railway companies are perfect while other people are not. I am not claiming it.

Mr. CADIEU: How do you feel about it? I know it was not done under your jurisdiction, but this country has been suffering for 30 and some years because of it. The Canadian Pacific have running rights for 90 miles, they have deprived the Canadian National who pioneered this country, and left you in a state where you will not fill up any gap on their line and develop, and it has got the whole northern area of Saskatchewan in a turmoil. Yet all they had to do was to build 90 miles, with running rights over the Canadian National line to tap the whole country. I think it is time the railway companies did something about getting together.

Mr. PASCOE: While we are talking about modernizing the movement of grain, may I ask if the elimination of the grading procedures at Winnipeg has speeded up the movement at all from the lakehead?

Mr. GORDON: I am afraid I cannot answer that question.

Mr. DEMCOE: You mean a speeding up of the movement?

Mr. PASCOE: Yes.

Mr. DEMCOE: Oh, yes, there is better car utilization. The lines are improved and the grain is moving faster from the farm to the head of the lakes.

Mr. PASCOE: Quite a bit faster?

Mr. DEMCOE: It has increased the speed, with better handling through our terminals.

The CHAIRMAN: Let us stick to trucking, please. Now, Mr. Marcoux.

(Translation)

Mr. MARCOUX: Mr. Chairman, after hearing Mr. Gordon's brief on the trucking firms to the effect that all such firms are independent one from the other, would you be in a position to affirm that the Canadian government in granting subsidies to the National railways, either directly or through the payment of costs to the shipper, or by making good for the deficits, can Mr. Gordon assert that the C.N.R. are not paying those subsidies to their own transportation company?

(Text)

Mr. GORDON: Yes, I could state very definitely that we are not subsidizing our trucking operations in the way you suggest.

(Translation)

Mr. MARCOUX: Neither directly, nor indirectly?

(Text)

Mr. GORDON: Neither directly nor indirectly.

The CHAIRMAN: Now Mr. Rock?

Mr. ROCK: With respect to your report, and to certain questions asked by Mr. Horner about the movement of grain from the west, it was just by accident that I mentioned to Mr. Lachance and Mr. Marcoux that they should possibly study a pipe line system, whereupon you immediately mentioned it yourself. I do not know if I am in order or not, but I would like to know the feasibility of such a possibility, and also I would like to know what happened to your business when the oil pipe line was constructed?

The CHAIRMAN: This is not trucking, Mr. Rock.

Mr. ROCK: It comes to the same thing. I am concerned about trucking because Mr. Gordon mentioned that he was not too interested in getting into the trucking business to haul grain.

The CHAIRMAN: Go on then with your question. It would take longer for you to explain it.

Mr. ROCK: It is because of my concern over the matter that I want to ask this question. I believe you may be concerned as to what happened possibly to all the cars purchased in the past for oil carriers when the oil pipe line system was created? Did you have an excess of rental cars after that?

Mr. GORDON: As a matter of fact, that is one of the peculiarities of the railway business. If I remember correctly we do not own any tanker cars. They are provided by the oil companies.

The CHAIRMAN: Now, Mr. Lachance.

*(Translation)*

Mr. LACHANCE: Mr. Gordon, in view of the fact that the Canadian National is subsidized by the federal government, do you not think that this railway, in the trucking field, is in conflict and competing with the trucking industry because the purpose of the Canadian National is not exactly trucking operations, but railway transportation. In other words, would it not be preferable to let the private trucking industry perform transportation rather than have the Canadian National do trucking itself?

*(Text)*

Mr. GORDON: I hear that the microphone is not open. What does that mean?

No, I do not think so. Our annual report shows that we make an over-all profit on trucking operations. I think that is the best answer to the suggestion that we are subsidizing trucking operations. We are not. They stand on their own feet. We made a profit on them of \$1.3 million last year.

Now, to answer the second part of your question, we do hire a great number of independent truckers in connection with our business and we buy these trucking subsidiaries when they fit our particular needs on a basis which we think is to our advantage.

*(Translation)*

Mr. LACHANCE: Do you not think it would be preferable for the government to grant subsidies to the shipper by road-trucking and thus favour him, rather than have this transportation done by the Canadian National, in view of the fact that the main purpose of the Canadian National is not necessarily trucking, but rather rail transportation?

*(Text)*

Mr. GORDON: I do not know what you mean by subsidies in that respect. To what subsidies do you make reference?

(Translation)

Mr. LACHANCE: The federal government grants subsidies to the shipper for some kinds of merchandise, especially grain, if I am not mistaken; therefore, would it not be preferable if the shipper rather than the Canadian National chose the mode of transportation?

(Text)

Mr. GORDON: I am not aware that any farmer has received a subsidy from the government to move grain.

Mr. HORNER (*Acadia*): I am not aware of it either.

Mr. GORDON: And moreover, in regard to the general approach, whether it is better to give the shipper a subsidy, theoretically I agree, but practically it is not possible in terms of administration, in my opinion. The government may wish to grant a subsidy in respect of a particular area for social or economic reasons, whatever it may be. To do so they must choose the simplest way to administer it. If the government should have to deal with every shipper in regard to his claim for a subsidy, it would be an impossible situation and an impossible burden in the way of machinery. Each claim would have to be scrutinized, and each claimant would be suspect. I am not saying that everybody is crooked, but when money is to be received, one would tend to make the most favourable representation possible. On the other hand, if the subsidy is applied through the railway, then it is possible to check it through the books.

Mr. FISHER: Has the railway association or your railway expressed any views to the federal government regarding the representations of the Canadian Trucking Association that the long haul trucking business that goes over provincial boundaries should be brought within the scope of a federal agency?

Mr. GORDON: We did receive from the government a copy of a brief which the truckers association made as well as the briefs of other representatives. The railways have replied to the government in detail in respect of the allegations made therein.

Mr. FISHER: Do you see any advantages, or can you comment in respect of any advantages to the trucking association or truckers individually having the right to appear before the board of transport commissioners in respect of rates or any other aspect of the competitive problems?

Mr. GORDON: I have strong views myself but I do not know whether it would be appropriate for me to express them because this involves a matter of government policy.

Mr. FISHER: You do express views on government policy in this regard to the government. What would be wrong with an expression of your view here?

Mr. GORDON: If you tell me it is all right I will be guided by your advice.

My main point of objection to the trucking companies, or individual companies that are competitors with the railway, having the right to appear before the board of transport arises because we do not have a similar right to examine those companies. There is no procedure whereby I can ask to see the books, records and particulars of a trucking company. If that right were interchangeable, then I would have no objection.

Mr. FISHER: I would contemplate that if the trucking association had this right it would show a great deal of interest in agreed charges.

Mr. GORDON: Yes, that would likely be a result, and I think it would very soon establish that our agreed charges are, as I have always said they are, made on a compensatory basis.

Mr. FISHER: I should like to ask another question in respect of a completely different subject under the trucking item. There has been fairly consistent



criticism in shipping circles, particularly in the Manitoba lakehead area, with regard to the unelasticity—I think that is the best word—of the rates charged when the water shipping season is open in the lakes and particularly in respect of the whole movement of sort of package freight westward and eastward. Within that kind of context the argument has been made that if it were possible to permit sort of water piggyback services it is likely these rates would go down. Have you as a company with trucking subsidiaries in the haulage business over routes which parallel the lakes ever considered this idea? Have you ever discussed with the C.S.L. the whole question of providing this kind of service?

Mr. GORDON: Yes. Our research department has had conversations of that type but I do not think it has got very far, because the practical problems of piggybacking on ships involves a very large question of capital expenditures. The ships would have to be specialized ships. There is a term for this type of service. I believe the term is "fishyback".

Mr. FISHER: The C.P.R. has introduced a new type of container which is, I understand, flexible and can be used for both rail and truck haul. Have you considered that type of container?

Mr. GORDON: Yes. That is the very same type of container we use at the present time in respect of Newfoundland shipping. We originated that type of container when we put the "William Carson" into service. The container was necessary because of the narrow gauge railway in Newfoundland. We just lift the container off the main line train and put it on a flat car in Newfoundland, bolt it down and save the cost of transshipment.

Mr. FISHER: Has the C.S.L. shown any interest in these new methods?

Mr. GORDON: Yes, I believe they have, and I know there have been plenty of discussions with our people in respect of this kind of thing.

Mr. FISHER: The last question I should like to ask you in connection with the trucking item centres on future policy of both major operations in respect of trucking. Under the Canadian National-Canadian Pacific Act have you ever had any discussions with your major competitor, which is also the company with which you are linked by that act, in respect of any arrangements for pooling any operation on the trucking side of the business?

Mr. GORDON: No, we have not.

(Translation)

Mr. LACHANCE: Mr. Gordon, to revert to the problem, to the questions I asked a while ago, are not certain kinds of goods subsidized, is transportation by truck not subsidized by the federal government? And are those subsidies not paid to the Canadian National?

(Text)

Mr. GORDON: No, I am not aware of any. You are referring to a subsidy paid to the Canadian National Railways in connection with trucking, are you?

(Translation)

Mr. LACHANCE: For the transportation of some merchandise?

(Text)

Mr. GORDON: You are referring to certain classes of goods? Perhaps if you tell me what you have in mind I can identify it. I cannot identify it at all at this point.

The CHAIRMAN: Are there any other questions in respect of trucking subsidiaries or can we adjourn now and then proceed to passenger services this evening?

Mr. HORNER (*Acadia*): The whole theory and trend of this annual report has been directed toward the fact that you did not charge high enough depreciation allowances in past years. Can you assure this committee that you are charging high enough depreciation allowances in respect of your trucking operations? If you had charged higher depreciation allowances back in the early 1950's when you did show a profit you would not have shown a profit; is that right?

Mr. GORDON: There is being charged by the company, so far as I know, the normal depreciation customary to the industry.

Mr. TOOLE: They are charging the normal depreciation.

The CHAIRMAN: Could I have a motion to carry this item?

Mr. ROCK: Yes.

Mr. HORNER (*Acadia*): Are you charging depreciation allowances as high as those charged by the C.P.R. or any other trucking company?

Mr. GORDON: We are making depreciation allowances normal to the industry.

Mr. HORNER (*Acadia*): Do you want to adjourn now Mr. Chairman?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Tonight at 7.30 we will consider the paragraph in respect of passenger services. Thank you very much.

#### EVENING SITTING

(Text)

The CHAIRMAN: Gentlemen, we have a quorum. Would you please come to order.

We now are on passenger service.

Mr. PRITTIE: Mr. Gordon, I have not heard any complaints in respect of the reduced fares the railway is offering, but that is understandably so.

Mr. HORNER (*Acadia*): Are you going to complain?

Mr. PRITTIE: No; someone else made a complaint. I have here a report by Mr. Charles Spratt, Edmonton, president of the Western Canada Motor Coach Association. He made this complaint, which I will read:

He called the rates unreasonably low with the C.N. "interested only in increasing traffic numbers" with no regard to increased operating costs. If losses occur in the passenger operations, "we, in effect, as taxpayers, will be subsidizing our own competition".

I wonder if you would comment on the particular charge Mr. Spratt made, that you were doing this with no thought of operating costs.

Mr. GORDON: Well, it is so obvious I think it is hardly worth while replying. It is obvious we are not doing that, and the best test of it is that our passenger deficit, as nearly as we can estimate it, made on the same basis as we provided it to the royal commission on transportation, is being reduced. It is clear that we are still losing money in our passenger business but the point is in putting in these fares and increasing the volume of our trains we are getting a new volume which is giving us a better net reduction and we are reducing the deficit by reason of it.

Mr. PRITTIE: I have one other question. I think I asked you last December if you had any plans to obtain dome cars such as the C.P.R. were operating and I believe at that time you said no, that you thought you would put your money into different types of equipment. But, I understand you do have them now.

Mr. GORDON: Yes. We were able to make a very advantageous purchase through the Milwaukee Railway. There are six cars. They are not dome cars but sceneramic. Then, there are four cars that are more like the dome cars. We have ten cars, in all and we were able to make a very advantageous purchase on them. And, in view of the fact we put in this new panorama train, which is a second edition of the super Continental, we thought we should take advantage of this situation; we were short of cars and that is why we went into it.

Mr. PRITTIE: I know those who have been speaking of bookings recently have been finding out you are booked six weeks ahead on the Continental panorama.

Mr. GORDON: Yes, and I hope we continue to wrestle with the problems of prosperity along that line. We are short of equipment now and will have to correct this situation from time to time. But, at the present time we are pretty hard pressed.

Mr. PRITTIE: As a result of the shortage of equipment my family are going back by Air Canada.

Mr. HORNER (*Acadia*): Terrible!

Mr. GORDON: In view of the amount of revenue we would get in that respect—

Mr. PRITTIE: In any event, we would pay for the berths.

Mr. HORNER (*Acadia*): Mr. Gordon, has your passenger traffic increased, thereby helping to rectify this problem?

Mr. GORDON: Yes, indeed, very substantially.

Mr. HORNER (*Acadia*): You say it has increased?

Mr. GORDON: Yes, it has increased very substantially under the impact of the red, white and blue fare plan.

You will recall that we started the red, white and blue plan in the maritime provinces and operated it east of Montreal on an experimental basis. We have established very definitely that the number of passenger carryings has increased substantially, and after trying out various types of services adjustments and so forth we came to the conclusion we should extend the red, white and blue fare plan to all parts of Canada, which we did in October, 1963. We cover points in northern Ontario in conjunction with the Ontario Northland Railway commencing in June 1963; transcontinental services between stations in southwestern Ontario and lines to western Canada in October, 1963, and lines to northern Quebec in April, 1964, and when it was applied in the pool territory in 1964 all the C.N.R. lines in Canada were covered.

Mr. HORNER (*Acadia*): For the record, would you explain exactly what the red, white and blue fare plan is. This is what caused your increase. I want to have it in your own words on the record.

Mr. GORDON: Do you want a short or a long explanation?

Mr. HORNER (*Acadia*): A short explanation will do.

Mr. GORDON: All right. I have four pages of it here but if you will allow me, I will give you my interpretation of it.

Mr. HORNER (*Acadia*): Your interpretation always is good enough for me.

Mr. GORDON: Thank you; I will remember that.

What we did was study it from a market point of view in regard to the periods in the calendar when we had low carryings and peak load carryings. The red is the lowest; the white comes next, and then the blue.

Mr. HORNER (*Acadia*): There was no maple leaf connected with this red white and blue fare plan?



Mr. GORDON: Not so far. The Canadian National symbol is our symbol. We said, in effect, on the days we proved the public do not use the trains we would give a price incentive; we would lower it to induce them to use that period. The next period, white, was not quite as much in that respect, and we put a slightly higher price on it, and then came the blue days which are the days of our peak loads. In other words, we do not need to encourage people to travel Christmas and New Year's as we know the trains will be loaded in any event, and the blue fare is at the normal price. But, we gave a price incentive for people to use the train on the off peak periods, and we found the public have responded to that very well. Of course, what we are aiming at more than anything else is to get people to give up the habit of using their own cars and we are working in a lot of inducements, group fares and so forth in order to do that. But, we have made it so cheap now that the car owner looks at our fare and decides it is cheaper for him to go by train than to use his own passenger automobile.

Mr. HORNER (*Acadia*): In a sense, would you agree that what you have done has brought about a reduction in passenger travel fares?

Mr. GORDON: Yes, on the over-all that is true.

Mr. HORNER (*Acadia*): And this has caused an increase in passenger travel?

Mr. GORDON: Yes. We have applied the same principle as you do when you are selling soap; you ascertain what the public wants. And, we are providing incentives for the public to use our service at a price.

This is the first time this principle has been thoroughly tested in the railway business. We have been the pioneers of it. I can tell you a number of United States railways have been talking with us and they have been very interested in the kind of response we have received.

Mr. HORNER (*Acadia*): I have been an advocate of this at different railway committee meetings over the past number of years and I am pleased to see that it is a success. But, do you believe it would be a success in respect of freight or other services?

Mr. GORDON: We have the same principle in freight service; we have produced incentive rates. We have produced rates that provide an incentive for higher loading of our cars. We have quite a number of incentive rates of that kind. We have followed that same principle and have done that for some years.

Mr. HORNER (*Acadia*): In the field of economics it is suggested that a price can increase until it reaches a point.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Then business starts to fall off and revenue starts to decrease.

Mr. GORDON: You are absolutely right, yes.

Mr. HORNER (*Acadia*): When the price is brought down again, business picks up and total revenue increases?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Here, in a sense, you have proved the theory that the revenue and traffic have increased to an economic saturation point, always bearing in mind other modes of travel.

Mr. GORDON: That is the first result. Mind you, I still have my fingers crossed because it is difficult at this stage to sort out what might be called the curiosity appeal from the stable traffic which will continue. If the public will continue to be attracted by these low prices, then we have won. After all, people drifted away from the trains not basically because of the price but because of the new convenience of their passenger automobiles. Now the passenger automobile is no longer as popular as it was because of the congestion

on highways—which we hope will continue as far as we are concerned—and the combination of less comfort in driving the passenger automobile plus price incentive. Those two factors are working in our favour.

Mr. HORNER (*Acadia*): I am not convinced—and I want to question you again on this—that this same theory cannot be applied to freight traffic and, let us say, even to grain traffic.

Mr. PRITTIE: On branch lines?

Mr. ROCK: How much per bushel?

Mr. HORNER (*Acadia*): Well, I just threw in grain because I love it.

Mr. GORDON: We do not carry any grain on passenger trains.

Mr. HORNER (*Acadia*): But I am talking about the economic theory which you have proven to my satisfaction and, I am sure, to the satisfaction of many professors who teach economics in the universities across Canada. You have proven once again that it is true that you can reach a point of no return; and this is what passenger fares did reach to a certain extent.

Mr. GORDON: And the reverse is true; we cannot afford to reduce prices to the point at which we lose money.

Mr. HORNER (*Acadia*): No, always bearing in mind our ultimate dream that Canadian National Railways will make money.

Mr. GORDON: I do not like the use of the term “ultimate dream”; I want it to be realized this year. If you fellows co-operate in putting through the MacPherson legislation and capital revision it will be a dream that will be realized this year.

Mr. HORNER (*Acadia*): You will have all the co-operation from me because we do want Canadian National Railways to pay; and we know, we do know, that western Canada is paying its fair share of the cost in maintaining the operation of it.

Mr. MILLAR: For the first time in history.

Mr. COWAN: What is the Crowsnest rate?

The CHAIRMAN: Order.

Mr. HORNER (*Acadia*): But here you have proven an economic theory. Have you given it a true test with regard to freight rates? This is the question to which I want an answer. We saw continuing price increases in freight rates until the government put a stop to it some years ago.

Mr. GORDON: That is because of the system of the horizontal freight rate increase which was the only method open to us in the light of the existing legislation at that time. Now when we get the MacPherson commission legislation through we will be free to use our own economic judgment.

Mr. HORNER (*Acadia*): I have one further question arising out of your answer, Mr. Gordon—perhaps two further questions, but, Mr. Chairman, bear with me.

The CHAIRMAN: Always on the passenger line.

Mr. HORNER (*Acadia*): Always on the passenger line, Mr. Chairman, and on the theory that is so well proven in the passenger reduction rates. Are you suggesting, Mr. Gordon, arising out of your answer, that the free zone freight rates will be removed when the MacPherson legislation is passed.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): It will be removed?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And you will be prepared then—

Mr. GORDON: I mean to say that I cannot remove them, but that it is part of the whole theory. Government action will remove them, in my opinion, yes.

Mr. HORNER (*Acadia*): And you will be prepared then to put to test the economic theory which you have once again proven on the passenger fares in regard to freight rates.

Mr. GORDON: Very definitely, yes, indeed.

Mr. HORNER (*Acadia*): I am suggesting that with a 150 per cent increase in 1947 to 1957 freight rates reached a saturation point in many cases, not necessarily in all cases, and this theory, so well proven in your passenger fares, Mr. Chairman, if I might refer to the passenger fares once again, can be proven in freight rates.

The CHAIRMAN: All right, Mr. Horner.

Mr. GORDON: I would like to make one comment on that and then we will drop it, if you will.

The CHAIRMAN: I hope so.

Mr. GORDON: I would like to make the suggestion that you look at the actual increases. The relative price for the railway product has gone up much less than many other prices.

Mr. HORNER (*Acadia*): Well, I can go back to grain farming. Some things have increased and some things have not. We farmers have been working for nothing for years.

The CHAIRMAN: Mr. Beaulé.

(Translation)

Mr. BEAULÉ: Mr. Gordon, I have two questions. First, does the blue, white and red rate system apply on the new service between Montreal and Quebec?

(Text)

Mr. GORDON: Yes, it is. It is now in use on all Canadian lines in Canada. It now applies to all Canadian National lines.

(Translation)

Mr. BEAULÉ: Now, you know that, during 1962, passenger-car maintenance was carried out by Canadian Pacific in Quebec city. Now, in view of this new service between Quebec and Montreal, do you anticipate that repairs will be carried out by the employees of the Canadian National at Limoilou?

(Text)

Mr. GORDON: No.

Mr. BEAULÉ: Quel raison? Why?

Mr. GORDON: Because our main passenger repairs and other repairs are concentrated in the Point St. Charles shops.

(Translation)

Mr. BEAULÉ: Why?

(Text)

Mr. GORDON: Well, it would be very small to start with. After all, one end of the line is Montreal, and that is where the shops are.

Mr. DEMCOE: Minor repairs will be made in Montreal when the train gets there at night before it leaves in the morning. But when the train gets there at 10.15 and sits there until five o'clock, it has all day, and they would do any major repairs in Montreal.



(Translation)

Mr. BEAULÉ: Yes, I understand, but the new train now in service between Quebec and Montreal obviously gives more work now. I am speaking of maintenance, of light repairs to the cars. Would it not be possible for these repairs to be carried out at Limoilou rather than at the Canadian Pacific?

(Text)

Mr. GORDON: I do not know. We do not know what the Canadian Pacific Railway is doing.

(Translation)

Mr. BEAULÉ: Has Canadian Pacific employed additional staff since this passenger train went into service?

(Text)

Mr. GORDON: Unless you know, Mr. Demcoe?

Mr. DEMCOE: I am not aware.

Mr. GORDON: We would not have that information.

(Translation)

Mr. BEAULÉ: Could we obtain the information?

Can you obtain that information?

(Text)

Mr. GORDON: No, I do not think so. Canadian Pacific do not usually tell us their business; they are pretty cautious. They keep things to themselves.

Mr. BEAULÉ: That is Canadian Pacific Railway business.

The CHAIRMAN: Mr. Rhéaume.

Mr. RHÉAUME: Mr. Gordon, I want to take you back just for a moment to the reference made by Mr. Prittie to the statement made by Mr. Charles Spratt at the Western Canada Motor Coach Association meeting in Winnipeg in April. I think we probably all know of Mr. Spratt and know that he is a fairly reliable person and fairly capable when it comes to understanding bus traffic. In his statement with regard to red, white and blue days I think he said those red, white and blue days in fact were the greatest problem facing bus operators in Canada today. I want to ask you a question. Did the instigation of the operation of red, white and blue fares, in the experience of your company, generate new traffic that was not moving before? Did it encourage traffic in Canada? Did it open up a new area in a market that before was not moving along?

Mr. GORDON: There is no doubt about that. Remember that our belief in regard to the action of the red, white and blue is that most of the traffic came from the passenger automobile. We did not go out specifically to beat the bus; what we are trying to do is get people out of the passenger automobile. In some cases it affected the bus, but the bus has still got an appeal that we cannot meet. They have more flexibility in regard to the intermediate points, and that is their market. I have no doubt at all that in some respects some of the traffic came from buses, but that is competition.

Mr. RHÉAUME: But in fact it did not generate new traffic; it took traffic away from the private passenger automobile.

Mr. GORDON: That is what we are trying to do. It is not rail traffic in that respect. I am not sure how long this curiosity appeal will last. We do know from questionnaires we sent out that a lot of people have made a trip on the rails for the first time in their lives, particularly children, but again I cannot tell you; we have no way of knowing, whether that same family group might not have gone by passenger automobile.

Mr. RHÉAUME: In your opinion it did not take away as much from buses and air lines as it did in fact get the private passenger automobile driver off the highway and perhaps generated a new traffic of people who never before left their own town.

Mr. GORDON: That is our belief.

Mr. RHÉAUME: Did the total passenger service of the C.N.R. during the period when the red white and blue days were implemented lose money under this plan?

Mr. GORDON: Not under this plan. The total passenger service lost money.

Mr. RHÉAUME: It lost money during the period when this plan was implemented on a fairly large scale.

Mr. GORDON: What we demonstrated by this plan was that the steady decline—you have seen it every year for many past years—in our passenger traffic was stopped very shortly after we put this plan in. We stopped it. Now, it has started to climb.

Mr. RHÉAUME: This leads me to my next question which is: In your opinion does the red, white and blue days' plan have the potential to pull the proportion of your operations in the passenger service out of the deficit position?

Mr. GORDON: Not by itself. Other things will need to be done. It is a question of the readjustment of services where they are definitely losing. Some of those services may have to be abandoned. I cannot look forward right now and see in the foreseeable future that a passenger deficit will be eliminated. Under the MacPherson legislation we are given five years in which this passenger deficit may be payable, and then it runs out, so that we will be on our own at the end of five years. They have given us five years to see whether or not we can eliminate the deficit. At the end of the five years, if there is still a deficit, I presume there will be further discussions.

Mr. RHÉAUME: Five years from the time the MacPherson legislation is passed by parliament. In view of the statement made today in the house by the minister it may be 10 years away. The minister indicated that the railway legislation will not take the priority that had been indicated earlier.

Mr. GORDON: I have not heard this statement.

Mr. RHÉAUME: The minister, on the orders of the day, in response to a question directed to him whether this urgent legislation would take priority over certain other matters, for example, the flag debate, indicated that it would not. This sort of suggests that the *Globe and Mail* article which said that legislation will be shelved is reasonably accurate.

Mr. GORDON: We had better wait for *Hansard* because I was told during the short time I had for dinner, one man rushed in and said, that the minister had agreed the MacPherson legislation will go ahead promptly.

Mr. RHÉAUME: Some things must have happened during dinner of which I know nothing.

Mr. ROCK: The Conservatives always have the wrong information.

Mr. GORDON: I cannot give any evidence on this.

Mr. RHÉAUME: I agree that our information may be wrong. We do get it from the ministers of the crown; that is all I can go by. It is an important statement that Mr. Spratt has made, and I think it should be corrected if there is a misapprehension. He has suggested that the C.N.R. had no right to lower its passenger fares as they did in the red, white and blue plan. It made it more economical to travel.

Mr. GORDON: What right had he to make such a statement? Of course he is a competitor so he would squeal if traffic were affected. It is sweet music in my ears when I hear the squeal of competitors who are losing business to us. That is fine.

Mr. RHÉAUME: The squeal is coming from one who sees himself as a taxpayer. The squeal then gets to be a little more significant.

Mr. GORDON: We replied by pointing out that the passenger deficit has been declining as a result of the plans we mentioned.

Mr. RHÉAUME: This is precisely the area I am trying to explore. If in fact the red, white and blue plan is going to help decrease the tax rap that the bus companies are paying, then by this interpretation they should be quite happy.

Mr. GORDON: I do not know how his mind works.

Mr. RHÉAUME: If it is accurate that the red, white and blue plan for the passenger service is helping to make it a more paying operation then they should be happy.

Mr. GORDON: They should be happy but I do not understand other people's logic; I do not know why. I think perhaps Mr. Spratt would probably rather have the excitement of handling passengers and perhaps paying more deficit by the railway because he gets that burden shared by all the people of Canada.

Mr. RHÉAUME: I did want to put it in context, that to anyone but perhaps you and me the thing does look like an abuse of the taxpayers' money.

Mr. GORDON: I cannot follow that.

The CHAIRMAN: Order, order, gentlemen.

Mr. ROCK: I have a supplementary question on that. Is there any red, white and blue system in the Northwest Territories?

Mr. HORNER (*Acadia*): What has that got to do with what we are discussing? That is not a proper interjection.

Mr. ROCK: I just asked a question.

Mr. HORNER (*Acadia*): The members down here represent all of Canada.

Mr. ROCK: I just asked a question.

The CHAIRMAN: Are you through, Mr. Rhéaume?

Mr. RHÉAUME: No. Mr. Chairman, I will not take exception to that.

The CHAIRMAN: Let us get back on the track.

Mr. RHÉAUME: I am interested in the potential of the red, white and blue plan, if in fact this did promote an area of Canadian travel that had not been exploited before. Did it make available to Canadians an opportunity to travel who otherwise would not have travelled before? If it has a potential to move the passenger service into a much healthier position—although it might not make it a surplus position—then the C.N.R. can only be commended for having done it and encouraged to exploit it.

Mr. GORDON: That is definitely the situation.

Mr. MACEWAN: Do I take it, Mr. Gordon, that the C.N.R. definitely believes in the future of passenger service, not only for intercity transportation but for long distance transportation in Canada in spite of the fact that, as I understand, the C.N.R. are not sold on the idea and many United States railways have almost entirely gone out of the passenger lines?

Mr. GORDON: We are running definitely against the trend of railway thinking on the subject, and we have gone all out and taken a calculated business risk in the process. We have done that in spite of the fact that all the evidence shows to the contrary. We think it is going to pay off, but it could be that we are wrong. It is a calculated business risk. Our policy is that we



are competing vigorously for passenger business in those areas where the railway facilities and the size of the market provides a reasonable guarantee that the system can profit by so doing. We are definitely in the passenger business and we propose to stay in the passenger business and provide the kind of service that will encourage the travelling public to use railway facilities.

Mr. MACEWAN: The rail liner service has become quite popular throughout Canada. I am thinking particularly of the Sydney-Halifax line. I realize there is usually one unit on that run and I realize there are large crowds at times on holidays such as Christmas, New Year's, and so on, but a number of times it has become necessary on that run to use a conventional train or alternately to transport a number of passengers who would travel by bus. I do realize that these rail liner units cost a lot of money. I wonder if any of your officials are looking into the matter of having the additional unit hooked on to this rail liner between Sydney and Halifax?

Mr. GORDON: That section of the country to which you are referring is one of our problem areas in regard to the thing you mentioned. I can assure you it is under very careful study right now. Also, in regard to the rail liner itself, we are not satisfied with that type of equipment. We think we can make it more comfortable, and we think we can do a better job.

This is part of our effort to meet the needs of the travelling public. Now there always will be times when for special reasons there will be a peak load situation we perhaps just cannot handle, but we want to cut it down to the minimum.

Mr. MACEWAN: It is being looked into?

Mr. GORDON: Yes, very definitely and vigorously.

The CHAIRMAN: Now, Mr. Lloyd.

Mr. LLOYD: I am satisfied with passenger services.

The CHAIRMAN: Now, Mr. Rock.

Mr. ROCK: We are not in dispute over the services, are we?

The CHAIRMAN: We are on passenger services.

Mr. ROCK: Do you mean that we can go to any item?

The CHAIRMAN: Oh, yes, yes, except freight.

Mr. ROCK: And grain, and the flag issue. We visited your new car down at the station yesterday where you have an electronic system to heat frozen food.

Mr. GORDON: No, it is not frozen food, it is what they call pre-cooked food.

Mr. ROCK: Well, I have no questions to ask.

The CHAIRMAN: Now, Mr. Pascoe.

Mr. PASCOE: I have a couple of short questions. Under "schedules and services" there is a reference to car-go-rail. Is there much of an extra charge in addition to the passenger fare for that service?

Mr. GORDON: Yes, there is a regular charge for taking the automobile.

Mr. PASCOE: Is it quite a large charge, or is it a fair one?

Mr. GORDON: We make it as small as possible. We have to cover our costs on it. Does anybody have a sample?

Mr. PASCOE: Has it met with success?

Mr. GORDON: It is fair. It is not as good as we would like to see it, but we think it can be improved. Since the inception of this service we have carried about 500 automobiles between important cities on the transcontinental main line. We believe there is a substantial market but it is one which will take a good deal of selling. We have had only modest success. It is one of those things which everybody is expected to welcome as a roaring success as soon as it is

offered, but it has not been that good. Nevertheless, we are making progress and we hope that with more advertising and as knowledge of it spreads the service appeal will follow.

Mr. PASCOE: On another point concerning this charge-a-trip program, is that just the regular cost of the fare, or do you have an extra carrying charge as well?

Mr. GORDON: No, it is the regular cost. There is no premium on it.

Mr. PASCOE: Thank you.

Mr. CADIEU: Speaking as one who has travelled quite a lot across the country, I notice this red, white and blue plan which I appreciate very much. I think it is a wonderful thing. Do you think that the red, white and blue plan has meant as much as more efficient dining car service and more courteous services in the last five years?

Mr. GORDON: I think it is all those together as part and parcel. The red, white and blue plan has been the sort of thing which the public wants. But at the same time we are certain that improved services, and the attitude of the employees—because we have conducted talks with the employees and they have responded very well—are equally important.

The CHAIRMAN: Now, Mr. Kennedy.

Mr. KENNEDY: Mr. Chairman, I would like to ask Mr. Gordon some questions. One of the complaints which is raised quite frequently in regard to passenger traffic is that the trains do not stop at intermediate stations. Leaving the time element out of it, which I recognize as important, could you tell me what it costs to stop a transcontinental train?

Mr. HORNER (*Acadia*): I used to flag one down for fifty cents.

Mr. GORDON: Could you give us the figure, Mr. Demcoe?

Mr. DEMCOE: Not very well. There are many variables, such as brake shoe wear, and the stopping and the starting.

Mr. GORDON: I do not know if we have an orthodox figure for it now, but some years ago I was told that it cost \$25 to stop a train. Do you recognize that figure, Mr. Demcoe?

Mr. DEMCOE: I think it is correct.

Mr. GORDON: It is a matter of a cost study; and it is a matter of maintaining our schedules. We cannot maintain them if we do not watch such factors as that. That is one of the factors. We also have our passenger traffic where we have greatly cut down the running time. Our running time to Vancouver, for instance—I think we have it here—has been very substantially reduced. The Montreal to Vancouver running time has been reduced to approximately 66 hours as compared to 73 hours in 1955. Yet in 1955 we in turn thought that 73 hours constituted a substantial improvement over what it had been previously. So I can say that over the period of the last 8½ years we have cut 21 hours from train travel between Montreal and Vancouver. I think that is a very substantial accomplishment.

Mr. HOWE (*Wellington-Huron*): In reply to Mr. MacEwan you said that the rail liner operation in his area was under intensive study. I wonder why the rail liner service was discontinued between Palmerston and Listowel? I mean the one that used to go across to London, when now passengers from Southampton have to go all the way down to Guelph and Kitchener in order to get to London. I think it would be a very good idea if you reinstituted that service directly across to London from Palmerston rather than to have the passengers go all the way around via Guelph. I think that is very unfortunate. I receive a lot of complaints up in that area because of it.

Mr. GORDON: Yes, this is one of those perennial questions. We have gone into it many times. Our continuing opinion is that it is not an economic service.

Mr. HOWE (*Wellington-Huron*): I receive a lot of complaints in connection with that particular service. To me it looks like going the long way around, when it could be only a matter of nine miles to institute that service across there.

Mr. VAUGHAN: There is difficulty in cycling the available cars there.

Mr. HOWE (*Wellington-Huron*): If there could be one which would go down to Kincardine, why not let it go to Palmerston and then back to Stratford.

Mr. VAUGHAN: I went down there two or three years ago and rode back and forth and talked to the people there.

Mr. HOWE (*Wellington-Huron*): Did you talk to Fred Edwards in Palmerston?

Mr. VAUGHAN: I am not sure but I know his views.

Mr. HOWE (*Wellington-Huron*): He is the local provincial member.

Mr. VAUGHAN: There is a very excellent network of highways up there.

Mr. HOWE (*Wellington-Huron*): There is not even a bus service across, and they still have to go down to Guelph and back up again.

Mr. GORDON: We could not establish an economic justification for doing what you suggest, Mr. Howe. I know there was quite a clamor a few years ago in regard to it.

Mr. HOWE (*Wellington-Huron*): Yes, it does not seem reasonable to me to go ten miles when a rail liner would give a little better service to that part of Ontario.

Mr. GORDON: If we are ever going to get our passenger business on a basis of break even, or to cut out our deficit, we must rigorously cut out services which are losing money.

Mr. HOWE (*Wellington-Huron*): You would make more money if your services were run in such a way as to be more convenient to the travelling public. I recall a time when the rail liner would come down on Sunday night but would not make a connection at Guelph. So those people who wanted to go to Kitchener would have to get on a bus at Guelph after the train had gone twenty minutes before. This has been corrected now, but still it is an instance where your co-ordination of time tables did not work to the benefit of the travelling public.

Mr. GORDON: I shall take back your views to our passenger people and make them give me the answers.

Mr. IRVINE: The question I would like to ask may already have been asked, because I have been in and out of this committee of necessity many times today.

I am referring particularly to the city of London, my riding. I am wondering why the schedules of the C.N.R. coincide very much with the schedules of the C.P.R. For instance a train leaving London in the morning at eight o'clock is matched by a C.P.R. train leaving London at approximately the same time. These trains also return to London at approximately the same time. This seems to me to be rather an odd situation.

Mr. GORDON: I cannot picture in my mind the particular service to which you have reference at this moment, but you must remember that London is a terminal of the different companies and the service provided by each is



independent in respect of different points. Therefore, convenience of time has to be recognized in terms of the individual and different territory of service. Service from London to Toronto, if we may consider that in respect of each company involves service to different points, and we must consider the convenience of time in respect of these intermediate points. I agree that when the trains both leave at the same time it seems rather strange. The same applies here in Ottawa where different territory is covered by the C.P.R. to that covered by the C.N.R. in service to Montreal, and that service must be convenient in time to those different points.

MR. IRVINE: I am not complaining about the service because it is good. There are only two hours travel time between London and Toronto, and that is much superior to air traffic when one considers all the factors, but it seems to me that when the majority of traffic is travelling directly to Toronto, in spite of the fact there are different areas being served, and I have in mind the fact that the C.N.R. goes to Hamilton whereas the C.P.R. does not, it is rather strange particularly to individual passengers when the trains leave London at eight o'clock and there is not another opportunity to leave London to Toronto until one in the afternoon.

MR. GORDON: We must take into consideration the fact that the people at the different points want to be served at convenient times.

The CHAIRMAN: Mr. Fisher.

MR. HORNER (*Acadia*): Mr. Chairman, on a point of privilege, I say this with a great deal of respect to you because you have been very good to me. I put my hand up and you acknowledged it at the beginning of this committee meeting and I was here shortly after 7.30. I put my hand up again and you acknowledged it for the second time before Mr. Fisher came into this room. I do not wish to take up any more time in this committee than is due to me, but I think I should receive some compensation for getting here as reasonably close to 7.30 as possible. I remind you that Mr. Fisher was not here until I had put my hand up and been acknowledged for the second time.

The CHAIRMAN: Mr. Horner, you did ask questions in respect of passenger services, and you will have another opportunity to ask questions after Mr. Fisher has concluded. I think I should give an opportunity to other members to speak.

MR. HORNER (*Acadia*): I might as well come in at eight o'clock, rather than at the beginning of the meeting because I will be recognized at the end of the meeting in any event. It certainly does not help a member to come early.

MR. FISHER: Mr. Chairman, I would hate to push the member out of order.

MR. HORNER (*Acadia*): It is not that I have a very important question to put to the witnesses before this committee.

The CHAIRMAN: Will you bear with me, Mr. Horner? I am trying to be very fair.

MR. HORNER (*Acadia*): I think your action is not absolutely fair, and I bring this to the attention of the whole committee. A member is recognized in spite of the time he arrives at the committee meeting.

The CHAIRMAN: Order, please.

MR. HORNER (*Acadia*): I was speaking to a point of order.

The CHAIRMAN: As chairman of this committee I have been very fair and I have your name on my list after Mr. Fisher.

MR. FISHER, will you commence, please?

MR. HORNER (*Acadia*): I realize that fact and that is why I objected.

The CHAIRMAN: I am trying to distribute the questioning time fairly between members.

Mr. HORNER (*Acadia*): I may as well come in at the end because I will be recognized at that time anyway.

The CHAIRMAN: Let us discontinue this type of discussion. You asked questions on this subject at 7.30.

Mr. HORNER (*Acadia*): I was here at 7.30.

The CHAIRMAN: You questioned Mr. Gordon at that time.

Mr. HORNER (*Acadia*): Yes, and I should like to question him again.

The CHAIRMAN: You will have an opportunity to do so following Mr. Fisher's questions.

Mr. HORNER (*Acadia*): I think a member should be recognized when he puts his hand up.

Mr. FISHER: Mr. Gordon, in the mid-1950's when the Canadian Pacific Railway introduced their new trend you indicated to this committee that the C.N.R. had no intention to introduce dome or vista cars?

Mr. GORDON: Yes, I made a number of remarks, but my main statement has always been along the line that we were paying out a certain amount of money to rehabilitate our passenger service and were prepared to spend that money in as widely distributed an area as possible, but that we preferred to improve the general standards of our passenger cars, which at that time were in a very run down condition. We did not believe that the use of dome cars involved the best way of spending money at that time. I have never said at any time in a committee that I could not change my mind, and the fact of the matter is that with our experience in respect of the red, white and blue service and the response to that service we put on the new panorama trains. Our people recommended them and when we received this very advantageous offer acceptance was authorized.

Mr. FISHER: I thought you would be prepared to give credit to the general wisdom of parliamentary committees which has been expressed over these past years.

Mr. GORDON: If it was wisdom I will acknowledge it. I thought this was just a chance to take a crack at me, that is what I thought this was.

Mr. HORNER (*Acadia*): I should like to direct a question to Mr. Gordon in respect of equating profit and loss on passenger traffic. Passenger traffic, as I understand it Mr. Gordon, is still operating at a loss?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Do you operate a passenger service in the United States?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Are you still operating passenger service at a loss in the United States?

Mr. GORDON: I do not know. This is a very difficult thing to work out in respect of the United States. I would say by and large we are not far off breaking even. We have cut out a lot of passenger service in the United States.

Mr. HORNER (*Acadia*): You are not far off breaking even; is that right?

Mr. GORDON: We are not far off breaking even.

Mr. HORNER (*Acadia*): How do you equate passenger service in the United States in respect of charging it off against losses in the United States?

Mr. GORDON: Your question involves a matter of cost accounting formulas which attempt to take account of the kind of expense we would save if we

cut off passenger services. There is a formula which we use to charge for that cost. This is a difficult formula in any event and it is very difficult to work out. Generally speaking, the expense in respect of a passenger service line is much higher than that in respect of a freight line. It costs much more money to maintain a line to carry human beings than it does to maintain a line to carry grain.

Mr. HORNER (*Acadia*): You are concerned about Mr. Grégoire being able to sleep; is that right?

Mr. GORDON: That is right, yes.

Mr. HORNER (*Acadia*): Do you have any rule of thumb regarding your method of equating profit or loss against United States lines for passenger service?

Mr. GORDON: No. Such an equation would require a very difficult analysis in regard to particular points.

Mr. HORNER (*Acadia*): Can you give me any idea of the equation in this regard? You suggest that the cost of maintaining a passenger line is higher than the cost of maintaining a freight line. Do you have any rule of thumb percentagewise in this regard? Does it cost twice as much to operate a passenger line as a freight line, for example?

Mr. DEMCOE: Actually there is very little difference in the maintenance required to run a freight line. It requires about the same amount of maintenance to run a freight train at 60 m.p.h. as it does to run a passenger train at 80 m.p.h. It requires about the same maintenance, alignment and other services, in respect of a freight train as in respect of a passenger train operating both at high speeds.

Mr. GORDON: You are referring now to the highball freight?

Mr. DEMCOE: Yes.

Mr. GORDON: That is quite right in respect of a highball freight which is kind of a super duper train, but we cannot run a highball freight on every line.

Mr. DEMCOE: That is true.

Mr. HORNER (*Acadia*): I am concerned with passenger lines, and we are dealing with passenger lines rather than highball freight lines. I am trying to find out how you equate the profits and losses, and whether you are actually losing on passenger services. You have a figure which you charge against maintenance of lines?

Mr. GORDON: Yes. This involves a cost accounting formula which we produced again before the royal commission when we demonstrated our passenger losses.

Have you got the figure for passenger losses that we presented to the commission?

Mr. TOOLE: Yes. In 1963 it was \$43,500,000.

Mr. GORDON: Is that the figure we produced to the commission?

Mr. TOOLE: No, this is based on the commission formula.

Mr. GORDON: What was the figure we gave the commission? It was something over \$50 million.

Mr. TOOLE: It was \$50,300,000.

Mr. GORDON: We demonstrated to the commission and it was accepted by them, on the basis of our cost accounting calculation, that our passenger deficit in total was something over \$50 million and on that basis they arrived at their recommendations in regard to the passenger deficit. Since that time we have been able to apply the same formula to our full passenger business and we have cut about \$10 million off that deficit.



Mr. HORNER (*Acadia*): Am I correct in my interpretation of your reply that three or four years ago the Canadian National was losing something like \$50 million a year on passenger service?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And, today, you think it is \$40 million?

Mr. GORDON: Yes, using the same formula.

Mr. HORNER (*Acadia*): If I remember correctly, three or four years ago the Canadian National was losing something like \$1 million on passenger service in the United States, or am I wrong in my recollection of that figure?

Mr. GORDON: I do not think that figure ever came up.

Mr. HORNER (*Acadia*): It would not be anything like that now?

Mr. GORDON: No, it would not.

You see, our United States situation, which I have discussed in previous committee hearings, is a peculiar situation. We show a substantial deficit, for instance, in our Grand Trunk Western line, and that is the result that we report to the United States government for income tax purposes. It is a perfectly legal figure in terms of the accounting methods applicable only to the Grand Trunk Western line. But, we make our own analysis to establish whether or not the Grand Trunk Western is a losing proposition, and on that basis we analyse the full operation on a basis of what we call its feeder value. On the basis of that value as it contributes to traffic on the Canadian National system as a whole we show that operation to be profitable.

Mr. HORNER (*Acadia*): Yes, this is very interesting. I am not going to deal with the feeder value of United States lines until we get further along in the committee report because I want to tie it in with the feeder lines in western Canada. At this time I want to revert to passenger lines and passenger equipment. Have you a formula in Canada to equate maintenance costs per mile of travel to a particular passenger train?

Mr. GORDON: No, I do not think we can break it down that way. It is a formula approach that was approved by the commission and we use that for the over-all passenger situation.

Mr. HORNER (*Acadia*): One of the gentlemen there—and I am afraid I do not know his name—

Mr. GORDON: Is it Mr. Toole?

Mr. HORNER (*Acadia*): —spoke of the formula, in which they did this equating before the royal commission. Do you have that there and could we be given it, or is it a long lengthy document?

Mr. TOOLE: I do not have it.

Mr. GORDON: It is a terrific thing. It is a tremendous thing, and it is completely incomprehensible. I will give you an example of it, if I can find it here.

Here is a question having to do with the form of cost accounting applicable to variable costs. The question was for an explanation of the "coefficient of variable cost". Here is the answer from the witness:

The coefficient of variable cost emerges from the regression equation. To explain it I have to explain a little about what a regression equation does. Regression analysis is essentially a way of inferring from variation in expenses by division, and variation in output units of different types of transportation services by division, the cost of an additional unit of one type of transportation service holding constant the volume of other types of transportation service produced. The coefficient which emerges from the regression equation is a number which comes

through the solution of a series of simultaneous equations, each of which is developed from calculus and is designed to show the quantity of the particular value of the equation which will minimize a functional relationship between the predicted and the actual values.

Now, the regression equation, or the coefficient of variable unit cost, is, therefore, that part of cost which varies with changes in the particular traffic volume to which it is attached.

Mr. HORNER (*Acadia*): Why did you not say that?

Mr. PASCOE: It sounds like Paul Martin.

Mr. GORDON: That is the clearest explanation I can give you, and I further point out you brought that on yourself.

Mr. HORNER (*Acadia*): Well, I am not satisfied with it one bit. It is just a conglomeration of words making no real attempt to explain or to simplify it.

Mr. GORDON: No. The point is that this is the answer which the experts on the subject of cost accounting for railways agreed is the proper formula, and the experts understand it. In my own business I deal with the advice of my experts; I do not profess to be a cost accountant expert and I am not going to try. But, I know if I follow the rules they lay down for me then I am safe. It is the same as putting a ship down a canal; so long as they keep it within the buoys they are safe, and I operate in that way.

Mr. HORNER (*Acadia*): I do not doubt but that it makes sense if you and I and several other people sat down and tried to figure it out. What I am saying is that the interpretation of the definition of the word formula should be a simple rule of thumb. I am back to my old favourite expression of how to do something or how to arrive at an answer.

Mr. GORDON: Yes, but it does not have to be comprehensible to the layman. There are all kinds of formulae in the chemistry business which you and I never would understand but they are perfectly clear to an expert.

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: As I say, this kind of formula touching on cost accounting is perfectly valid in the hands of an expert.

Mr. HORNER (*Acadia*): Yes, but I am asking for a simplified rule of thumb how you arrive at whether or not a passenger line is losing money. How much do you charge for maintenance of that line on the X number of trains running over it a week?

Mr. GORDON: We express it under formula the cost accountants produce for it.

When I ask a question like that I call up the man in charge of that department and tell him I want an answer to whether or not such and such a train is losing money, and I get it. I do not call him up and say I want to know how you did it because I would be wasting my time. I know he is hired for that purpose, and I depend on him. He has the formula, and other people who have the knowledge I do not have can check him on it and make sure it is a valid approach. It is not the work of one man; it is checked.

Mr. HORNER (*Acadia*): Yes, I quite realize that and I do not expect you to know just how they arrive at this. But, I do think that there should be a simplified form which they could charge against so many trains for so many miles of run.

Mr. GORDON: To them it is simple. It takes them no time at all. They know the ropes and know what it means.

Mr. HORNER (*Acadia*): I am glad you have read it into the record. I will read it and I will make a thorough study of it from the record.

I have one further question in regard to passenger service. While I do not want to bore the committee I do intend to make, to my mind, a full examination of Canadian National Railways report, and I really do not care whether we finish tonight or not, although I consider that I have been most co-operative in expediting this committee and I have forborne to ask many questions which I could have asked—but attitudes do change.

With regard to the last paragraph on passenger travel, you have introduced a "Car-Go-Rail" system. I want to know how this is panning out, when it was first introduced and whether it looks as though you will continue it in the future. Is there a future for it?

Mr. GORDON: I just answered that question a few minutes ago.

Mr. HORNER (*Acadia*): With regard to carrying and taking on—

Mr. GORDON: Mr. Pascoe asked the question and I answered it.

Mr. FISHER: We cannot have any repetition, Mr. Chairman!

Mr. HORNER (*Acadia*): I do not want any repetition, all I want is a clear understanding.

Mr. BEAULÉ: You were here.

Mr. GORDON: You were here and I have answered the question that was asked.

Mr. HORNER (*Acadia*): That is fine. I am all through with passenger service.

Mr. ROCK: In the area from which I come the long haul passengers usually have to embark at Dorval. Your company has been requested by municipalities in that area to build, if possible, a combined station for Canadian Pacific and Canadian National Railways.

I use that station quite often and I do realize that that station is too small for the number of passengers who get on your trains there, and I am referring to long haul passengers. The Canadian Pacific Railway station across the tracks, which also accommodates long haul passengers and commuter service passengers is also too small. I would like to know whether you have any future plan for building a combined station or a station just for your own needs, or whether you have a plan to have private enterprise do it, as in many other areas—private enterprise possibly with hotel facilities or something like that in that growing area.

Mr. GORDON: We have nothing currently in mind in regard to a joint station or a new station for our own purposes, no.

Mr. ROCK: Would you investigate that matter in the near future in that area?

Mr. GORDON: Yes.

Mr. ROCK: This is the western embarkation point, I would say.

Mr. GORDON: That is right. It all costs money, however, and so far I have heard suggestions about not spending money and I am trying to cut down the expenditure. Our information is that our facilities at Dorval are adequate for our needs and I do not believe we have an examination underway or consideration of a joint station which would be a very expensive situation in any event, and our opinion is that it is not necessary.

The CHAIRMAN: Mr. Rhéaume.

Mr. RHÉAUME: I just had one quick question for clarification. Did I understand, Mr. Gordon, that you gave us a figure for the total deficit of \$43 million facing Canadian National Railways this year and that \$40 million of that can be attributed directly to loss on the passenger phase of the operation?

Mr. GORDON: Yes, it would.



Mr. RHÉAUME: In which case, then, Mr. Gordon, this does, I suggest, put a new light on the statement made by the president of the Western Canada Motor Coach Association that the reduction in Canadian National Railways passenger fares that occurred, which did take passengers away from them, was in fact being subsidized by those companies.

Mr. GORDON: No, quite the reverse. The fact that we have taken passengers from them, even admitting that we have, has reduced the deficit.

Mr. RHÉAUME: What you mean is that if you were not taking their passengers you could have lost \$86 millions?

Mr. GORDON: I told you that when we appeared before the royal commission our estimate of our deficit was something over \$50 million. Since then, by our various approaches to passenger business, including the red, white and blue—although not solely the red, white and blue, but including them and other things that we have done—applying the same formula we believe our passenger deficit has been reduced from \$50 million to roughly \$40 million.

Mr. RHÉAUME: So that in fact has saved the taxpayer \$10 million.

Mr. GORDON: Yes, it has in regard to the deficit.

Mr. RHÉAUME: I will abandon my further questions.

Mr. KENNEDY: Mr. Chairman, with great respect to the founding race of this country, do the Indians still have the privilege of travelling at half fare?

Mr. GORDON: Not to my knowledge. Did they ever have that privilege?

Does anyone here in the passenger business know that? It never occurred to me. I never knew it existed.

Mr. KENNEDY: It did. When I was a young fellow I was mistaken for one.

Mr. GORDON: Then you have owed us money all these years!

Mr. MILLAR: And then he got to be a member of parliament and now he travels for nothing!

The CHAIRMAN: Mr. Prittie.

Mr. PRITTIE: Just one question, Mr. Chairman.

On passenger deficits, does Mr. Gordon know if any of the major United States railways which serve great distances, such as the Great Northern and Union Pacific, make money on their passenger operations?

Mr. GORDON: I do not know if any claim to do so except the—

Mr. DEMCOE: Santa Fe.

Mr. GORDON: The Santa Fe and also the one in Chicago.

Mr. DEMCOE: The Chicago North Western.

Mr. GORDON: Yes, a couple do claim to do so. Chicago have done a number of things in regard to the huge, huge, huge commuter business and I read a report the other day in which they said that they have now licked the deficit. The Santa Fe on the long runs is the only one I can remember that feel they are making money on the passenger business.

Mr. COWAN: I know this is a review of the 1963 operation of Canadian National Railways, but you are dealing with passenger services and perhaps this is a proper time for me to ask this question, or perhaps I should wait until we reach "Outlook" to inquire into the situation with regard to commuter services in the metropolitan Toronto area now the hump yard in Vaughan township is nearing completion.

Mr. GORDON: I think I may as well dispose of it now, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. GORDON: There is a committee that has under very deep study, in co-operation with the metropolitan area officials, the determination of what is the best thing to do in regard to the commuter problem in Toronto. We have told them that once we have our hump yard fully operational, once our access line is available so that it will bypass the city, there will be certain of our lines that may have enough capacity to introduce a new type of commuter service. But we have also told them that we would only be willing to do that provided we can get a fare or a return that will meet our costs, and that situation is under heavy study now, as I say, to determine what they want. They have not themselves made up their minds what they want, but if they tell us what they want, we have undertaken to study the matter with them and tell them what it will cost. They then will have to make up their minds whether that cost is going to be met by a fare approach or whether they in turn will be prepared to put up some sort of payment, as has been done in some of the places in the United States already.

Mr. COWAN: How close is the opening of the new hump yard of Canadian National Railways?

Mr. DEMCOE: We hope to have it open this fall.

Mr. COWAN: This fall?

Mr. DEMCOE: Yes, provided the weather conditions permit us to complete the grading and the remainder of the work.

Mr. GORDON: It will not then be fully operational, will it?

Mr. DEMCOE: We hope to have it fully operational.

Mr. COWAN: Then the metropolitan area will be—

Mr. GORDON: The provincial government formed this committee in 1963 known as the metropolitan Toronto and regional transportation study, and the study is placed in the hands of two committees, the executive committee and the technical advisory committee. They have had a lot of work done on it and a lot of study on the fiscal feasibility of operating commuter or rapid kinds of service on the various railway lines as they become available. There has been a lot of work done on it.

(Translation)

Mr. BEAULÉ: Mr. Gordon, I have a question regarding passengers. There is a rail-liner passenger service between Quebec and Chicoutimi. It runs very well in summer but in winter, because of fluctuations in temperature and heavy snow, it often runs behind schedule and is very costly to maintain. Since the motors are slung under the locomotive that is what apparently causes the delays. Is it possible to replace this train in winter by a locomotive and passenger-cars, because you seemed a while ago to reduce the cost of passenger-service?

(Text)

Mr. GORDON: Well, I could not give an offhand answer to that. It will have to be the result of a study.

Mr. DEMCOE: We used to have a tri-weekly service the year round, but apparently there was not sufficient business there so it was reduced to the point where we do not operate there at the present time. Unless there is sufficient business to cover the cost of operation, I do not think we will replace the service.

Mr. ROCK: I have a small question. I believe I asked this one last year. Is any negotiation going on between the C.N.R. and the Montreal city authorities on the taking over of your northern line for subway purposes?

Mr. GORDON: Yes.

Mr. ROCK: Because last year you said there was not at the time.

Mr. GORDON: You do not read the papers or you would have seen it.

Mr. ROCK: Do not forget I do not always believe what the newspapers say.

Mr. GORDON: But in this case, Mr. Rock, the newspapers printed my statement and they put it in quotations, so you can believe that. We organized a committee meeting of 18 or 19 municipalities, I think, including the municipality of Montreal, and we gave them all the facts in regard to our commuter operation in Montreal. We warned them that by 1966 the commuter service will have reached a saturation point and we would not be able to meet the demands. There is no way for us to improve it. That being the case, we told them that in our opinion the best technical solution was to replace the present railway commuter service with a rapid transit service. We further pointed out to them that we were not in the rapid transit business and we did not regard that as our responsibility. We further suggested, that being the case, that they better form themselves into a body to see on what basis they could organize a rapid transit service themselves with all the municipalities. We got agreement in principle. They agreed with us that the rapid transit system was the right solution. They also agreed that they had a responsibility in respect of it and that there should be a contribution made on some formula basis by each municipality concerned. They have formed their own committee. All we are doing is giving them advice. They have hired consultants who are now busily looking into the situation with the recognition that by 1966 there will be a real problem because we will not be able to get people out on that line and therefore they will have to get it done within the next two years or there will be real trouble.

Mr. ROCK: You are just referring to the northern line?

Mr. GORDON: I am referring to the line right through to the central station, up the northern line going through St. Eustache, and so forth. We have told them also that if they get this rapid transit service properly organized they can count on us to make a fair disposal of our tunnel. In other words, we are prepared to turn over to them the access line for a rapid transit service, so they are working with that assurance.

*(Translation)*

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: My question. I was looking over the timetable with Mr. Demcoe and there is a train between Quebec and Chicoutimi, number 162, which operates on a time-table. In winter it is not good enough for the passengers since it is subject to tremendous delays due to the weather. I would ask Mr. Gordon if it is possible to replace that train, in winter, with a diesel locomotive or passenger-cars?

*(Text)*

Mr. GORDON: That was part of the question asked before on whether or not the rail liner could be replaced in the winter time. I have not heard that there had been much complaint about delay in that respect. You say there have been long delays in regard to the rail liner in the winter time? I have not heard of it.

Mr. DEMCOE: Neither have I heard of any difficulties there.

Mr. GORDON: I will make inquiries. You say there are bad delays in the winter time?



(Translation)

Mr. BEAULÉ: I worked on that line as a former railway employee.

(Text)

Mr. GORDON: Mind you, with the kind of weather you sometimes produce there, I would be inclined to think the regular passenger train might also be delayed under certain circumstances.

The CHAIRMAN: Are we agreed on passenger service?

We now go on to hotels.

Mr. LLOYD: On the question of hotels, Mr. Gordon, I believe you have available the net results of the group of hotels which shows an over-all net loss of \$23,833, which appears on page 11 of the report. Could you give me the details of the losses and gains in this case?

Mr. GORDON: The figures net out this way: Bessborough, net loss \$142,672; Charlottetown, \$22,773; Chateau Laurier, \$206,425; Fort Garry, \$69,107; Jasper Park lodge, profit \$173,627; McDonald, profit \$141,584; Newfoundland, profit \$186,897; Nova Scotian, loss \$84,964. Those figures will net out to a loss of \$23,833, as shown in the annual report.

Mr. LLOYD: Is there any particular reason for the change with respect to the Nova Scotian? There is there a net change of \$203,000 as compared with the year before.

Mr. GORDON: The most obvious reason is that there was a net decline in room occupancy. In 1963 the room occupancy averaged 61.3 per cent, and 66.1 per cent in 1962.

Mr. LLOYD: That is about three per cent difference in occupancy?

Mr. GORDON: No, actually it is 4.8 per cent down.

Mr. LLOYD: To come next to the Chateau Laurier, for example, you have there a loss of \$206,425 as compared with 1962. That is a difference of \$60,000. Is this owing solely to a decline in room occupancy or is it owing to some other factor?

Mr. GORDON: The Chateau Laurier is of course undergoing quite a rehabilitation process, and under our accounting system, certain of these expenses were charged to operating expenses.

Mr. LLOYD: Was there a decline in the occupancy of the Chateau?

Mr. GORDON: The occupancy rate at the Chateau in 1963 was 60.4 per cent, and in 1962 it was 60.9 per cent, practically the same. There were major repairs to the Chateau totalling about \$85,720 and these were charged to current operations. We show it in the annual report where we show major repairs to buildings in the amount of \$354,947, of which the amount of \$85,700 was chargeable to the Chateau Laurier.

Mr. LLOYD: You follow the generally accepted practice of capitalizing rehabilitation expenses if calculated, and they have a benefit over a period of years, or do you have some rule to write off alterations?

Mr. GORDON: Will you give him the accounting procedure?

Mr. TOOLE: We capitalize all normal additions to the property, but where the work is classified as repairs, it is naturally charged to current operations.

Mr. LLOYD: You have major repairs to buildings in 1963 as a separate item in your report in the sum of \$354,947. But that figure is not included in it?

Mr. TOOLE: Yes, it is in the figure which I read out.

Mr. LLOYD: They are distributed to each of these?

Mr. TOOLE: Yes, and we included the Nova Scotian. The sum of \$186,796 in that figure belongs to the Nova Scotian.

Mr. LLOYD: You say there were \$186,796 of major repairs?

Mr. TOOLE: Yes.

Mr. LLOYD: What would be the character of the major items of repair which you have written off in that year?

Mr. GORDON: Well, in that there is the whole business of the extensions. When we made an extension to the Nova Scotian we found that when we got to the inside of the building, we discovered that in the old wing the electrical wiring and plumbing was in very bad condition. After we finished the extension of the hotel, we tackled the job of modernizing the old work, and that is the sort of thing that goes into the \$186,796.

Mr. LLOYD: That modernization would be expected to last for some time, would it not?

Mr. GORDON: Oh yes, I think it should last for 25 to 30 years, I would hope.

Mr. LLOYD: So as far as I can see unless you have some other major repair items not yet done, you are in a profit position with respect to the Nova Scotian.

Mr. GORDON: I would hope so, yes. We have had special difficulty also in the Nova Scotian with regard to the exterior wall of the old original building from which we have never been able to keep out water. It is a cumulation of circumstances; we have not solved with any kind of insulation the problem of water going right through the stone. High winds and the effect of salt spray, or whatever it might be that you have there, have definitely over the years seeped through the walls of the building. In certain kinds of storms we have had water pour into the old building and we have not been able to lick the problem yet.

Mr. LLOYD: There was a change of liquor law in Nova Scotia to permit cocktail lounges and the like, and you constructed one in the Nova Scotian which is called the "Chart Room".

Mr. GORDON: Yes.

Mr. LLOYD: That would be capitalized or written off as a major alteration?

Mr. GORDON: How was that done?

Mr. LLOYD: If it is too far back for you to recall, very well.

Mr. TOOLE: Most of it would likely be an extension. There would be some capital appropriation to build it, but if it is a modification of an area, it would be written off.

Mr. LLOYD: I do not recall it, but could you inform us when the tax agreement with the city of Halifax expires in this case?

Mr. VAUGHAN: It expires in 1966, I believe.

Mr. LLOYD: Merely to straighten out the question which arose the other day when Mr. Vaughan informed the committee that the reason there was an agreement in Halifax was that legislation existed whereby a tax exemption was possible for a competing hotel, the Lord Nelson. For the sake of the record I think we should straighten it out, and say that the Lord Nelson hotel agreement was never consummated because it failed to comply with very stringent conditions. Subsequently, when the operators of the Lord Nelson—who were new operators—undertook a new plan, they sought a tax agreement, but were only successful in obtaining a very modified assessment. I merely want to point out, as Mr. Vaughan has suggested, because it existed, the Nova Scotian hotel had the right to seek equivalent treatment. That is fair enough. This leads me to my next question. If this is a valid construction of events, would the railway consider renegotiation now of their tax liability to the city of Halifax in view of the fact that the Lord Nelson hotel agreement was never consummated?

Mr. GORDON: That is an exercise in logic which rather escapes me.

Mr. VAUGHAN: It is a *post hoc, propter hoc* thing!

Mr. GORDON: It is an exercise in logic. The reason why the incentive to the Lord Nelson, which had been previously agreed upon, was no longer found to be necessary was that the Nova Scotian had in the meantime gone ahead with its extension.

Mr. LLOYD: I do not think that is quite right, because subsequently there was another hotel, and a 100-room motel built downtown. I do not want to go into it. I am satisfied that in 1966, with this information, you will have an interesting negotiation with the city of Halifax in accordance with what you previously advised us to do.

Mr. VAUGHAN: I want to clarify something. I do not want to leave a wrong impression. I thought your question to me was when the agreement with the city of Halifax expired, and I said 1966. That is correct. However there is another agreement vis-à-vis the hotel which I understand runs from 1961 for a period of ten years.

Mr. LLOYD: The present agreement ends in 1966.

Mr. VAUGHAN: The general agreement outside the hotel property expires in 1966. But the agreement relating to the hotel itself goes to 1971.

Mr. LLOYD: You say 1961 and 1971.

Mr. VAUGHAN: Yes.

Mr. LLOYD: Thank you. Now, Mr. Gordon, the Charlottetown hotel had major alterations done to it, I believe sometime in the last year, did it not?

Mr. GORDON: We did some alterations to it, yes.

Mr. LLOYD: Could you give me some idea of what the amount of these alterations was?

Mr. GORDON: Yes.

Mr. LLOYD: While Mr. Gordon is looking up his figures may I point out I learned a short time ago that these microphones are somehow tied in with the interpreter's staff.

The CHAIRMAN: Yes.

Mr. LLOYD: So if we talk on the side, would they pick up such unrecorded information as well?

The CHAIRMAN: I would not know.

Mr. HORNER (*Acadia*): I hope that my remarks are not being carried on tape.

The CHAIRMAN: I understand that it is only when the operator opens the switch.

Mr. GORDON: The amount set for 1963 was \$37,202.

Mr. LLOYD: The Charlottetown hotel was sold in the meantime, was it not?

Mr. GORDON: Yes.

Mr. LLOYD: Was it sold subsequent to this fiscal period?

Mr. GORDON: Yes, the actual sale has been announced. Actually the negotiations have not been completed because the date of delivery in respect of any sale will be November 1 of this year. In other words, we will finish this year's season before the takeover.

Mr. LLOYD: In the case of the Charlottetown hotel, how did you dispose of it? Did you advertise it by public tender?



Mr. GORDON: No, we did not.

Mr. LLOYD: Did you call for proposals?

Mr. GORDON: No, we did not.

Mr. LLOYD: Were you approached by some prospective purchaser?

Mr. GORDON: Yes, I think I can give you the history of it very briefly. It arose out of this situation: some years ago we were approached by the premier of Prince Edward Island with the request, having in mind the centennial celebrations that were being planned for, that we should enlarge the Charlottetown hotel particularly in regard to the meeting space accommodation. We looked into it very carefully and found that the cost for such an enlargement of the public room accommodations was such that we simply could not justify it in any way, and that the hotel could not carry it. We then informed the premier we could not economically justify it in spite of the interest in respect of it having to do with the centennial. He naturally was very disappointed in that respect and there the matter stood.

However, last year I guess it was, we were then approached and asked if we would meet a prospective buyer, who was introduced to us by the government.

Mr. LLOYD: He was introduced to you by whom?

Mr. GORDON: He was introduced to us by the government.

Mr. LLOYD: Are you referring to the government of Nova Scotia?

Mr. GORDON: I am referring to the government of Prince Edward Island.

Mr. LLOYD: Yes, the government of Prince Edward Island. I am sorry.

Mr. GORDON: One of the cabinet ministers asked us if he could come and talk to us with a prospective buyer, and was the hotel for sale? My reply was that the hotel was not on the auction block, so to speak, but we would be willing to talk to any person who had a sound reason in connection with the purchase and would be able to discuss price with us. That brought about a meeting with a representative on behalf of the Island Development Company Limited. The Island Development Company Limited, we were informed again by the government, had the support of the government for the purposes of studying plans and participating in Prince Edward Island development. In other words, this company is a privately financed company and does not receive any subsidy from the Prince Edward Island government. We were informed that this company had the blessing of the government, having in mind that they were going to engage very specially in the development of the tourist industry from the mainland and in anything connected with it and, therefore, they would be most happy if we could reach an accommodation with them. That then started discussions that continued for a considerable period of time.

Mr. LLOYD: There were no competitors called in to discuss this property?

Mr. GORDON: When the information began to leak, as this sort of thing does, we did have a man communicate with us, a very short time ago, asking if we would be prepared to accept a bid. By that time we were far enough ahead with our discussions that we said no.

Mr. LLOYD: I suppose in respect of the hotel business there are not too many customers around anyway?

Mr. GORDON: That is right. As a matter of fact, I do not mind saying, that some years ago I had a very competent person in the hotel business look at the Charlottetown hotel and I tried to interest him in it. His reply, after he had examined it, was that he would not take it over for one dollar but if we were prepared to give it to him and perhaps pay him for running it he would be interested.

Mr. LLOYD: At no time in this case did you test the market to see whether there were competitive bidders for the purchase of this hotel?

Mr. GORDON: Not so far as I know.

Mr. LLOYD: How do you go about selling a hotel?

Mr. GORDON: We do this by asking various people in the hotel business whether or not they are interested.

Mr. LLOYD: In other words you have a selected group of potential buyers whom you advise and ask to make an offer?

Mr. GORDON: There was no interest expressed at all.

Mr. LLOYD: Let us now move right across the country to the hotel Vancouver. I believe this hotel is now managed under an arrangement with the Hilton hotel system?

Mr. GORDON: Yes.

Mr. LLOYD: It is operated under a management agreement; is that right?

Mr. GORDON: Yes.

Mr. LLOYD: In that particular case did you make any effort to dispose of the hotel?

Mr. GORDON: No. The situation there again involved a different story. First of all the hotel was built in 19— what was the date?

Mr. VAUGHAN: It was completed in 1939.

Mr. GORDON: Construction started on this new Vancouver hotel in the 1930's and because of the depression it stopped half way completed. For some years the hotel just stood there half finished. Then there was a discussion between management of the Canadian Pacific and Canadian National of the day and by agreement the C.P.R. agreed to close their old Hotel Vancouver which they had in Vancouver. They agreed to close that hotel and come into joint account with the Canadian National. There was a joint agreement made in respect of the operation of that hotel. I never thought that agreement was a very good one. It was a very one-sided agreement, in my opinion. For a number of years I tried to get the C.P.R. to recognize that agreement as being unfair. For example, any capital funds, that were required for the improvement of the hotel or rehabilitation of the hotel were, under the agreement, a charge to the Canadian National Railways only, but the operations of the hotel were divided between the two companies. Therefore we were being stuck for all capital improvements and only received half of the advantages from them. We commenced then to cut down on our capital improvements. For a period of years the hotel went downhill in the matter of maintenance and general appearance. Finally, after quite a number of years, the Canadian Pacific Railway and ourselves reached an agreement, that either we would buy out their interest or they would buy out ours. We agreed then to exchange notes in respect of what we were willing to pay them and what they were willing to pay us. As a result of these negotiations we bought out their interest.

Mr. LLOYD: You now own the hotel?

Mr. GORDON: We now own that hotel completely. It is completely owned by the Canadian National Railways. When we accomplished that situation we then began to consider the best way of conducting the rehabilitation of the hotel, and the best type of management we could obtain. In light of our experience with the Hilton interests in Montreal, and after they approached us, we decided that we would enlarge our agreement with them to include the management of the Hotel Vancouver.

Mr. LLOYD: You did not invite proposals from other hotel management companies?



Mr. GORDON: No. As a matter of fact, to be perfectly frank we refused them. We did receive certain approaches but there was no other Canadian approach made, for example, that would give us anything like the world wide coverage that the Hilton organization could. We had experience with their management and we were satisfied. We decided that was the sensible thing to do. This arrangement gives us access to what they call a referred basis in respect of the world wide chain Hilton group. Their world wide affiliation could not be matched by any chain in the world. That was the reason for our decision.

Mr. LLOYD: Under this agreement you do have to maintain the building?

Mr. GORDON: Yes.

Mr. LLOYD: You are responsible for any reasonable capital alterations that may be initiated from time to time?

Mr. GORDON: That is right.

Mr. LLOYD: You provide the capital?

Mr. GORDON: That is right.

Mr. LLOYD: I presume because this is a lease operation likely they pay the local taxes in full in Vancouver?

Mr. GORDON: Yes, I imagine that is true.

Mr. LLOYD: Is this a long term lease, or a short term management lease?

Mr. GORDON: That fact is not quite settled. We fitted our arrangements in with a lease on the same terms we had in respect of the Queen Elizabeth Hotel. This involves a management agreement which covers 15 years from the date we started, which was when, 1957?

Mr. VAUGHAN: 1958.

Mr. GORDON: It commenced in 1957 or 1958. The two situations are synchronized at the moment, but we may extend that lease agreement, covering both hotels.

Mr. LLOYD: Is there any negotiations for the sale of the Chateau Laurier taking place at the present time?

Mr. GORDON: Are you referring to a negotiation for the sale of that hotel at the present time?

Mr. LLOYD: Yes.

Mr. GORDON: No, sir.

Mr. LLOYD: Under the agreement for sale you made in respect of the Charlottetown Hotel will you recover your net depreciated cost, or do you expect to do even better than that?

Mr. GORDON: Yes, we think we will recover our net depreciated cost.

Mr. LLOYD: You expect to recover your net costs?

Mr. GORDON: We think we will recover those costs.

Mr. LLOYD: You expect to recover your original historic cost less depreciation?

Mr. GORDON: We expect to recover those costs less depreciation, yes.

Mr. LLOYD: Have you sold any other hotels?

Mr. GORDON: Yes, we have sold a number of hotels I think some years ago.

Mr. LLOYD: Thank you, Mr. Gordon.

Mr. GORDON: Thank you.

Mr. HORNER (*Acadia*): I should like to direct one or two questions to Mr. Gordon.



Mr. GORDON: May I just have the privilege of putting this statement on the record. The premier of Prince Edward Island said in his public statement, among other things;

Thus the decision taken by C.N.R. to accept an offer from IDC is fully understood and appreciated by us.

Mr. LLOYD: I have one final question. Do you have any capital investment in the Hilton operation?

Mr. GORDON: In their own operations, you mean?

Mr. LLOYD: Yes. In Vancouver, for example, did you provide any capital in any way for that operation?

Mr. GORDON: Well, we did in the sense you are talking about, the building; we did not provide them with working capital.

Mr. LLOYD: You provided no other capital other than the facility which was already constructed?

Mr. GORDON: That is right. They provided their own capital.

Mr. LLOYD: But, you keep it in shape for their occupancy?

Mr. GORDON: Yes.

Mr. PRITTIE: And, you pay for renovations?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): In regard to the Vancouver operation I presume you are getting back real good interest on your investment?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): You are borrowing money from the government and are getting back a good interest rate on your investment out there?

Mr. GORDON: You see, in the agreement, in figuring out the net profit we make on it we include the cost of our money, depreciation and any other proper charges.

Mr. HORNER (*Acadia*): But, if it is leased how does it operate at a loss?

Mr. GORDON: A loss to us?

Mr. HORNER (*Acadia*): Yes, and I am referring to the Vancouver hotel. You have it down here as a loss.

Mr. GORDON: Yes, but this is before we affiliated with Hilton. This is when we operated this hotel ourselves. Those are 1963 figures you are looking at.

Mr. HORNER (*Acadia*): Now, you have a guaranteed profit on the Vancouver hotel, I suppose, in a sense.

Mr. GORDON: I hope we will but it depends on the record of Hilton's new management. I do not expect that this will happen in a short time but once we have the hotel brought up to modern standards and have the benefit of their management I think it will show a profit. However, this will take a few years yet.

Mr. HORNER (*Acadia*): In other words, your agreement is a percentage of the profits?

Mr. GORDON: Of the net profit, yes.

Mr. HORNER (*Acadia*): It is not any guarantee at all.

Mr. GORDON: No; it is a percentage of the net profit.

Mr. HORNER (*Acadia*): In other words, you have given it to them to operate with no capital outlay on their part?

Mr. GORDON: Except the working capital.

Mr. HORNER (*Acadia*): Except the working capital?

Mr. GORDON: Yes. Hilton does this sort of thing all over the world, you know, and we have the best agreement with them that they have given to anyone in the world. In other words, our percentage split higher.

Mr. HORNER (*Acadia*): You are not concerned with Walter Gordon's anxieties over American take overs or anything like that?

Mr. GORDON: I do not think this has a bearing on this case. We have made an agreement with a worth-while company that is to our advantage, yes. Mind you, Hilton of Canada is running this hotel. There is a Canadian company which is called Hilton of Canada Limited, and it was formed for the purpose of handling their Canadian operations, and we are doing business with them. We have made a lot of stipulations, one of which is that 95 per cent of the employees must be Canadians.

Mr. HORNER (*Acadia*): Well, the same applies with the oil industry in Alberta; 95 per cent of the people employed in that industry are Canadians.

Mr. GORDON: But, is it guaranteed that they will be?

Mr. HORNER (*Acadia*): No, but it is, in fact the case. 67 per cent of the oil industry is owned by Americans. This is what we are told.

Mr. ROCK: But they do not own the hotel.

Mr. HORNER (*Acadia*): No, but they have the use of it, and it is a Canadian government enterprise.

Mr. GORDON: And, we get a split on their profits on a basis that we specify. We are getting more out of the hotel than we could get ourselves.

Mr. HORNER (*Acadia*): Have any of these other hotels which have been losing money been offered to Hilton?

Mr. GORDON: No.

Mr. HORNER (*Acadia*): For example, has the Chateau Laurier been offered to Hilton?

Mr. GORDON: No. I have thought about it but I think we had better be a little careful yet until we see what the atmosphere is.

Mr. HORNER (*Acadia*): The Chateau Laurier in Ottawa has been a continual loser. Am I right in this connection?

Mr. GORDON: No, not a continual loser.

Mr. HORNER (*Acadia*): Not a continual loser but a perennial loser.

Mr. GORDON: I will have to look that up.

Mr. HORNER (*Acadia*): I am basing my question on a remark you made in a previous committee some years ago.

Mr. GORDON: Did I say that about the Chateau?

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: Well, if I said it I must have been right. I am hesitating now because I have not the figures before me. There were years we made a profit.

Mr. HORNER (*Acadia*): I am not stating there were not any years that you did not make a profit; I am saying that most years you did not make a profit.

Mr. GORDON: Yes. Here it is now. I have a table here which shows that the Chateau Laurier lost money in 1962, 1961 and 1960 and it made money in 1959. It shows a profit in 1959 of \$77,443, and I put that on the record in 1964.

Mr. HORNER (*Acadia*): One out of four years. This is good enough. This bears out what I was thinking, that most times it loses money.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Well, you have not given any consideration to turning it over to Hilton of Canada?

Mr. GORDON: Yes, I have given very positive consideration to it but I have decided that for psychological reasons it probably is not psychologically advisable at this particular time.

Mr. HORNER (*Acadia*): You say that for psychological reasons you have decided that it probably is not psychologically advisable at this particular time. Could you enlarge on that?

Mr. FISHER: Now, he does not need to do that.

Mr. GORDON: I think it is pretty clear.

Mr. HORNER (*Acadia*): Certainly, this is pretty obvious to me but I want on the record why Hilton cannot take over the Chateau Laurier right here below capital hill but they can 2,000 or 3,000 miles away in Vancouver. If these two takeovers were possible do you agree that it would be vastly different?

Mr. GORDON: The circumstances in Vancouver lent themselves to making a deal with Hilton. You were here when I was describing our situation with the C.P.R. We had a very unsatisfactory agreement with them. We managed to get out of it and the situation was ripe for making an agreement for the rehabilitation of the hotel and obtaining new management. Also the Vancouver location is particularly suitable for Hilton operations in association with their world wide affiliation. Hilton was much more interested in a Vancouver deal than an Ottawa deal because the same appeal is not here.

Mr. HORNER (*Acadia*): But the psychological atmosphere would be altogether different in respect of the two points.

Mr. GORDON: And, also the business atmosphere.

Mr. HORNER (*Acadia*): I did not ask about the business atmosphere but the psychological atmosphere; it would be altogether different in the two places.

Mr. GORDON: I do not mind saying and putting on the record, if you want that, that I would predict if we made a deal with Hilton on the Chateau Laurier there would be a terrific explosion of public opinion against it.

Mr. HORNER (*Acadia*): I do not mind agreeing with that either.

Mr. GORDON: I am sure of it. We have to decide whether or not the benefit that would accrue is worth that kind of public explosion, and at this minute I do not think it is.

Mr. HORNER (*Acadia*): Let us get farther away from the parliament buildings in respect of the Hilton operation. You lost money on the Bessborough in Saskatoon, did you not, and you lost money in most years with regard to that hotel.

Mr. GORDON: Yes. There is one other point about Vancouver, and it is this; when we made the agreement with Hilton in respect of the Queen Elizabeth hotel one of the features was that Hilton agreed that they would not open a Hilton hotel at any place where we had a hotel. They agreed not to compete with us with the exception of Vancouver, and they reserved that out. So, we were faced with a further condition in Vancouver, that it was not at all unlikely that Hilton would have built the hotel in Vancouver in any event, and we considered it was in our joint interest to join forces rather than be competitive in Vancouver.

Mr. HORNER (*Acadia*): In other words, you do not believe in competition?

Mr. GORDON: Yes?

Mr. HORNER (*Acadia*): Monopolies are good things.

Mr. GORDON: But, when we had a close association with Hilton we thought it made more sense to join forces rather than become competitive in that area.

Mr. HORNER (*Acadia*): Going back to the Bessborough in Saskatoon; that is another hotel which has lost money during most years.



Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): Have you made any overtures or been thinking of giving this over to Hilton?

Mr. GORDON: Two or three years ago Hilton made a thorough analysis of each one of our hotels for our purposes. We used them in that capacity as a consultant, and asked them, as such, to review each one of our hotels. We wanted them to do two things. We wanted them to advise us firstly of their recommendations on how the hotels might be improved and, secondly, in which hotels they would be interested. They specifically said in that report they would not be interested in the Bessborough hotel because they could not see how it could be made a profitable operation.

Mr. HORNER (*Acadia*): This would have a relationship to the economic conditions?

Mr. GORDON: No. The competition in Saskatoon has grown tremendously and you now have in Saskatoon a whole section of motels of a character that has really cut out the heart of the hotel business. There is a great big motel right across from the Bessborough hotel.

Mr. HORNER (*Acadia*): This is true all across Canada. The motels are growing up.

Mr. GORDON: No, not as directly as we have found it in Saskatoon. Besides which, the Bessborough cannot stand competition; the market was not adequate in any event for the Bessborough, and when the motel came in it hurt the Bessborough much more than it would have hurt an hotel in a larger city.

Mr. HORNER (*Acadia*): In some trends shown in this annual report you want to become more like Canadian Pacific but in other trends you are confident that you would like to go the other way.

Mr. GORDON: It does not necessarily follow as a matter of fact that, because we want to follow along certain economic and management principles, we necessarily want to be the same as Canadian Pacific.

Mr. HORNER (*Acadia*): On the one hand when it suits your argument you want to be on the same lines and in another case you want to discard those lines.

Mr. GORDON: No, that does not follow. I would be perfectly happy to see us dispose of all our hotels. I do not see why railways should be in the hotel business. I think the day for that has gone.

Mr. HORNER (*Acadia*): No more than in the trucking business!

Mr. GORDON: We are preserving our position in the hotel business to the best of our ability, but those hotels were built in an era when it was considered smart to have them in order to encourage train business.

Mr. HORNER (*Acadia*): Is this true of the Queen Elizabeth hotel in Montreal?

Mr. GORDON: I do not believe the Queen Elizabeth hotel's success is predicated much on passenger business. Their success has been largely because they have provided facilities for large conventions and they have produced a new atmosphere, a new environment, for hotels generally. That is the secret of their success; it does not have much to do with passenger business.

Mr. HORNER (*Acadia*): And it would have very little to do with Hilton.

Mr. GORDON: Very little to do with Hilton?

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: I would say it had about 100 per cent to do with Hilton.

Mr. HORNER (*Acadia*): In other words, you do not believe any other hotel group could manage it?

Mr. GORDON: I do not believe any other hotel operator could have made the same success of this hotel as Hilton has made, and any other hotel person would agree with that statement.

Mr. HORNER (*Acadia*): Along the same kind of theory would you say, then, that you feel that the Canadian government should look to the United States for someone to take over your job?

Mr. GORDON: I do not think I should answer that.

Mr. HORNER (*Acadia*): But it is on the same theory.

Mr. GORDON: This is completely wrong. I have tried to explain that one of the reasons for the Hilton success is that they are in the unique position of being the only people having a world wide chain of hotels of such a character that they are able to refer to us, as one of the links in the chain, a great deal of business that would not otherwise come to us. For example, the success of the Queen Elizabeth hotel to quite an extent is based upon their ability to attract conventions. If we tried to attract conventions we would have to set up convention offices in most of the large United States cities before we would even get a sniff of them. Furthermore, in the convention business and particularly in the large convention business they will be signed up for ten, twelve and fifteen years ahead, and Hilton's success is that he is able to offer them a variety of places around the world; and Montreal, as a link in the chain, becomes attractive to the big convention on a basis that we, as an independent operator, would never be able to accomplish. They have a unique type of organization and a unique way of doing business that has been responsible, as I say, for the success in the Queen Elizabeth hotel.

Mr. ROCK: Agreed.

Mr. HORNER (*Acadia*): I do not agree. However, in regard to the Fort Garry hotel in Winnipeg, is this another one that has lost money in these years?

Mr. GORDON: It has lost money. This four-year analysis shows that the Fort Garry hotel lost money in 1962 and 1961 and 1960, and it made money in 1959. The same record, apparently—

Mr. HORNER (*Acadia*): In the average year it, too, has lost money. Has there been any overture from effective buyers for buying any one of these hotels?

Mr. GORDON: No.

Mr. HORNER (*Acadia*): And Hilton has turned thumbs down with regard to all these hotels?

Mr. GORDON: No.

Mr. HORNER (*Acadia*): I gathered this from your remark.

Mr. GORDON: No, my remark was in connection with the Bessborough. I said the Bessborough is one they would not take over, and another they would not take at any price was the Charlottetown. I cannot remember what they said about the Fort Garry; I am inclined to think they said they were interested in the Fort Garry but that it would need a lot of change and construction and so forth. Right now we are engaged in a considerable program for the Fort Garry.

Mr. HORNER (*Acadia*): In the Vancouver hotel you have to do all the maintenance and repair work with your lease with Hilton?

Mr. GORDON: No, the maintenance work would be a charge to the operating expenses which Hilton would absorb in the accounting before they came to a division of the net profit.

Mr. HORNER (*Acadia*): But the repair work?

Mr. GORDON: It depends what is capital and what is operating. Again, you get the hotel accounting formula. If it is a capital expense, we put up the money and the interest on our outlay is, of course, a charge to the amount of profit that we get. But they charge to operating expenses all the maintenance charges as operating costs, and that is taken care of before the amount available for division of the net profit is arrived at.

Mr. HORNER (*Acadia*): Then it is logical to assume in a sense that if you have capital costs you would also be charged the taxes? Or who pays the taxes?

Mr. GORDON: The taxes are regarded as an operating cost.

Mr. HORNER (*Acadia*): They are regarded as operational costs?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): And in this case Hilton would be paying them out of the hotel Vancouver?

Mr. GORDON: That is right.

Mr. HORNER (*Acadia*): Can you give the committee any idea—perhaps we could gather it from your report here with regard to the Vancouver hotel—of your revenue with regard to the Queen Elizabeth hotel, the direct revenue from Hilton and then your own operating costs in that particular hotel in regard to capital maintenance?

Mr. GORDON: The figure for the Queen Elizabeth is shown here.

Mr. HORNER (*Acadia*): This is your net profit?

Mr. GORDON: This is the net, yes.

Mr. HORNER (*Acadia*): You have not the gross revenue which you received?

Mr. GORDON: That is not our revenue. We do not receive any of the gross revenue. That goes into Hilton's hands and they make the charges against it and arrive at the net profit.

Mr. HORNER (*Acadia*): I was talking about your gross revenue from Hilton of Canada. I can understand it is just a shade better than the net income.

Mr. GORDON: Well, yes; the only charge we would have against that would be our own interest costs, would it not?

Mr. TOOLE: Our depreciation and amortization.

Mr. GORDON: Yes, our depreciation and amortization of equipment.

Mr. HORNER (*Acadia*): The Jasper hotel was one which has been reasonably successful at operating at a profit over recent years.

Mr. GORDON: No, recently we have been doing better but there have been years when we have had substantial losses.

Mr. HORNER (*Acadia*): Yes, but recently they have been doing substantially well. Have there been renovations to it recently?

Mr. GORDON: Yes, very substantial. You must remember it was built back in 1923 and quite a number of the cabins have reached a state where they had to be replaced. You may remember also that we had a very disastrous fire in Jasper some years ago.

Mr. RHÉAUME: Mr. Gordon, the extent of my comment on this whole section of the hotels will be limited to a statement. I am making it here only because I cannot for the life of me see where else I can make it and I want you to comment on it. It relates to the Chateau Laurier and in particular to the inadequacy of the service in the bar.

Mr. GORDON: Inadequacy?



Mr. RHÉAUME: The inadequacy, yes. I spend a lot of time tracking down a good drink of sauce all over Canada, whenever I am around, and I want to suggest to you that the service in the Chateau Laurier hotel lounge is the worst in Canada. As I say, as a time killer and for other reasons I make a point of going into bars in Canada, and I am wondering—and this is not only my own opinion because I discussed it with quite a few other people—whether there is some peculiar problem in relation to this bar in the nation's capital, or has this ever been drawn to your attention before?

Mr. GORDON: I have never heard this particular comment but I will most certainly take it up with the manager. We have been doing a lot of rehabilitation of the hotel and that may have caused some difficulties in regard to the service in recent times.

Mr. RHÉAUME: I am saying this because I suggest to you that no matter what time of the day it is, whether at the very busy cocktail hour or in the middle of the afternoon—just to get a little straightener—it is just impossible to get service in that bar.

Mr. FISHER: For the record let me say I have never had a complaint about the Chateau Laurier.

Mr. RHÉAUME: Mr. Fisher has had another experience—I am registering mine.

Mr. GORDON: Of course, I have no personal experience of this at all, but I suppose I would not be the sort of average person—that would not be recognized. My point is this: certainly recently there may have been trouble by reason of the fact that we are under extreme difficulty in regard to the renovation program which we have in the Chateau Laurier. That will pass by. We have recently remodelled the cafeteria, and it is very successful. We have had a lot of letters from people complimenting us on what we have done there. I am disappointed to hear your comment, but I will take it up with the manager and find out what the trouble is.

Mr. RHÉAUME: I am not making my comment facetiously. It is important in the largest hotel of the nation's capital, where people spend a lot of time, to have a good meeting place.

Mr. GORDON: As part of our rehabilitation program we have a very definite change being provided for the bar. There is going to be a more convenient access to it, and generally speaking it is going to be kept up on the basis that hope will engage your attention so that you will increase the number of your visits.

Mr. RHÉAUME: This will not be easy.

Mr. GORDON: Increase your number of visits so you will reach a condition where everything will just look wonderful.

Mr. PRITIE: Mr. Gordon, I think it is fair to draw the conclusion from our remarks that if Hilton were willing you would have them manage all our hotels.

Mr. GORDON: I do not want to commit myself on that, that would be an indiscreet comment, but I do say this, that if Hilton were willing, in regard to certain of the hotels, it would probably be to our advantage. However, there is a psychological factor that we must take into account. I do not believe it would be wise for us to face the situation of turning all our hotels over to the management of Hilton.

Mr. PRITIE: To comment on that, I do not consider a management contract takeover in the sense of a Canadian industry or firm being bought out by an American firm. The public needs to get used to the Chateau Laurier under other management, and perhaps this is the time to start. You say that a great deal of success in Hilton operated hotels comes from the fact that they can

make convention arrangements across the United States. Is there any other reason? Are their management techniques more efficient than your own, quite apart from this ability to bring in the convention business?

Mr. GORDON: Yes, that is a fair enough statement. If I remember the figures, well over 50 per cent of the revenue comes from these large conventions. Hilton have been very successful in their original ideas of service, catering to the needs of the public on the basis where people just like going there. They have also, for instance, through their connections been able to bring to the night club atmosphere of the main room, the Bonaventure, shows that Montreal would never otherwise have. They have come here because of the Hilton name. They are often tested out in Montreal on the basis that if they succeed in the Bonaventure Room in Montreal they know they have a good chance of being used in other places around the world. That means we get types of entertainers and types of shows that Montreal has never seen before. They just did not come here. So that there is a Hilton touch that explains why they are the most successful hotel operators in the world. They do not get that way just because they are big. They are admittedly recognized as the most successful hotel operators in the world—they are the byword in the industry.

Mr. PRITIE: I have another question about the Hotel Vancouver. I believe some of the unions got in touch with some of the members about pass privileges that some of the senior employees enjoyed in the Hotel Vancouver, and they were afraid they would lose them once the Hilton management took over.

Mr. GORDON: There was a period when there was a good deal of talk and negotiation, but it has been straightened out. The arrangements that were necessary have been made. Mind you, you mentioned passes. They do not get passes, however.

Mr. PRITIE: The C.N.R. employees had this privilege.

Mr. GORDON: They lost it when the hotel went under the Hilton management.

Mr. PRITIE: Did they lose any other seniority rights?

Mr. GORDON: No, I think they were pretty well protected. However, it was an arrangement worked out with Hilton and the staff, and it has been satisfactorily settled.

Mr. ROCK: To my eyes, Mr. Gordon, you are not on trial here.

Mr. GORDON: Thank you.

Mr. ROCK: I want to ask you a question concerning the system that you have in the Chateau Laurier hotel, that is the system of telephone booths in the lobby. I think it is the most expensive system in the whole of North America. You have to stand in line at a booth and ask the operator to get you the line, and she tells you what booth to go into. You then have to pay 20 cents. This is an ancient system. Do you have any future plan to change the system to the ordinary system used in telephone booths that are installed in any other hotel?

Mr. GORDON: I cannot be specific on this, but this is one of the many things that are in the process of change at the hotel. There is going to be a very distinct change in the Chateau Laurier over the course of the next year or so which will appeal to the public, and this is one of them.

Mr. ROCK: You can understand my concern. There are many conventions in that hotel. Whenever they are in session, as soon as the people walk out you have a fast move towards telephone booths. These people have to stand in the lineup, pay 20 cents, the operator writes the number down on a card. All in all it is a slow process of getting your telephone call through.

Mr. GORDON: It sounds most inadequate and I will make sure it is changed.

Mr. TUCKER: I have a couple of questions, Mr. Chairman. First, I would like to ask how many hotels were owned and operated by the C.N.R. for the year ended December, 1963?

Mr. GORDON: The Bessborough, Charlottetown, Chateau Laurier, Fort Garry, Jasper Park Lodge, McDonald, Newfoundland Hotel, Nova Scotian, and, as I mentioned before, Queen Elizabeth operated under the management of Hilton, and the Vancouver now jointly operated.

Mr. TUCKER: The Newfoundland hotel has made a profit of approximately \$850,000 in the five years of operation.

Mr. GORDON: Yes. The Newfoundland hotel has been showing the highest room occupancy of almost any other hotel.

Mr. TUCKER: Last year you mentioned that some thought and consideration were being given to extending the Newfoundland hotel. Have you yet arrived at a decision in this regard?

Mr. GORDON: Yes, we are not going to extend the hotel.

Mr. TUCKER: May I ask why?

Mr. GORDON: I wish you would not. Do you wish to press the question?

Mr. TUCKER: No, not particularly, no.

Mr. GORDON: Thank you.

Mr. TUCKER: Do I understand that 50 per cent of the profits from the hotel come from conventions?

Mr. GORDON: No. That was the case of the Queen Elizabeth Hotel in Montreal. I happen to know that figure.

Mr. TUCKER: You get credit for most of profits from the Queen Elizabeth?

Mr. GORDON: For their ability to attract large conventions, yes.

Mr. PASCOE: Mr. Gordon has given most of the information in regard to the operation of the Bessborough. But I would like to ask a couple of questions. He said that the loss last year was \$142,672. Was some of that as a result of renovations and refurbishing?

Mr. GORDON: Do you have the figures?

Mr. VAUGHAN: No. There was nothing charged to the Bessborough for any major repairs referred to in the report.

Mr. PASCOE: I find that when I go there without a reservation it is difficult to get a room. Could you tell me the room occupancy?

Mr. GORDON: Yes, it is 44.4 per cent. You say you have had difficulty in getting a room?

Mr. PASCOE: Without a reservation, once in awhile.

Mr. GORDON: Do you have a credit card?

Mr. PASCOE: No, I do not carry them.

Mr. GORDON: It surprises me. I have never heard that. The record shows 44.4 per cent occupancy.

Mr. PASCOE: The cafeteria is always very well patronized. Is it part of the hotel operation or is it something special?

Mr. GORDON: Yes, it is. The Bessborough is also under very definite study to see how we can improve our accommodations and make it more appealing to the general public particularly in regard to our dining room accommodation which is not satisfactory in terms of being able to handle a convention crowd. In other words, the Bessborough hotel is not equipped to handle conventions.

Mr. PASCOE: Are you anticipating a change?

Mr. GORDON: We are trying to, but I do not know whether we will succeed, because from what I have seen, the hotel is built in such a way that it is an



absolute architectural headache to find any way to enlarge the public spaces. To do so would run into a terrible lot of money. Different architects have looked at it. You know the history and you know the general set-up. You would think it was built in such a way as to prevent it ever being enlarged.

Mr. PASCOE: It is a nice looking hotel.

Mr. GORDON: Yes, it is, and if we could overcome that problem and provide larger space for meetings, we could, I believe, attract some conventions which right now we cannot get there.

Mr. PASCOE: Will the relocation of the station a long way from the hotel have an adverse effect on it?

Mr. GORDON: We considered the question carefully and concluded that it would not hurt it very much.

Mr. MACEWAN: My question has been covered.

Mr. LACHANCE: Do the Canadian National Railways have a separate agreement with Hilton in respect of the management of the Vancouver hotel? Or is there to be an agreement for the two?

Mr. GORDON: There is to be a separate agreement with Hilton in connection with the Vancouver Hotel. But it is on the same basis of a split, so to speak, as for the Queen Elizabeth. At the moment we are trying to see if we can make a long agreement synchronous with the Queen Elizabeth Hotel agreement. But it is quite separate in regard to accounting and its money financing.

Mr. LACHANCE: Do I understand correctly that it is only a profit sharing agreement and that the Canadian National has to bear whatever deficit the hotel may have?

Mr. GORDON: There is a profit sharing agreement in connection with the Queen Elizabeth and the Vancouver, which are the only hotels managed by Hilton. The other hotels we manage ourselves. I have given you in the record a list of each one of these hotels. If we have a deficit we absorb it, and if we have a profit, it goes into our profit and loss account.

Mr. LACHANCE: Do they absorb all the deficits?

Mr. GORDON: If there were a deficit in the operation of a hotel managed by Hilton, they would pay it. But if there is a profit, then there is a profit sharing understanding. I might as well tell you what it is. We get 75 per cent of the net profits.

Mr. LACHANCE: I have one last question: Why would you say there would be a public explosion if Hilton should take over the management of the Chateau Laurier?

Mr. GORDON: It is a matter of judgment which I have learned from various people who have a great love for the old Chateau Laurier hotel. They think it would be a terrible thing to change it in any way. I even had protests when we made the bar look a little better. Some people thought we should not even be doing that. There is a great sentimental background to the Chateau Laurier hotel.

*(Translation)*

The CHAIRMAN: Mr. Matte?

Mr. MATTE: Mr. Gordon, Canadian National set up extraordinary hotel centres, often far from large centres, developing them as outstanding natural attractions. Would you have thought of developing such a centre at Parent, which was at one time a Canadian National centre, until the Minister of Finance created a radar base there? It would apparently be an extraordinary tourist attraction.

(Text)

Mr. GORDON: Yes, but the Canadian National Railways have no intention of enlarging its hotel investment. We do not contemplate building any other hotels.

The CHAIRMAN: Carried.

Now we come to telecommunications.

Mr. CADIEU: It is a quarter to ten.

Mr. PRITTIE: What is the procedure of the committee? The matter was referred to the steering committee concerning the suggestion that Mr. Crump be invited to come to give us his views concerning Canadian National Railways finances. What did the steering committee decide?

The CHAIRMAN: The steering committee met this morning, and it was agreed by the committee that this particular review of the Canadian National Railways report does not call for any witnesses other than the people associated with the Canadian National Railways. So Mr. Crump or others would not be called at this sitting to review the Canadian National Railways report.

Mr. PRITTIE: Is it possible for him to be called at some other sitting of the committee?

The CHAIRMAN: On some other matter, but not on the review of the annual report of the Canadian National Railways.

Mr. RHÉAUME: I understood you received a telegram from the Canadian Trucking Association.

The CHAIRMAN: Yes. I should have mentioned it along with the other matter. It was considered as well, and the same decision was reached on it unanimously by the committee.

Mr. RHÉAUME: As Chairman, I assume you are prepared to bring this before the full committee, not necessarily right now, in order to see what the committee's wishes are in relation to a discussion of the matter raised by the Canadian Trucking Association.

The CHAIRMAN: I was not instructed to do so by the steering committee. I was instructed to communicate its decision when requested. This committee may wish to reverse the decision and ask for authority from the house to call witnesses on the Canadian National Railways annual report. This has never been done, but I should hope a decision would be made then.

Mr. RHÉAUME: Since the steering committee report was not presented formally by you, will you at some stage be presenting us with this document so that we can kick it around before this committee reports to parliament? Will you be giving us that opportunity?

The CHAIRMAN: I think this is a matter which should be raised probably after we have concluded with the Canadian National Railways' report and before we go on to some other business. I would be quite willing to listen to your suggestion after we have completed our examination of the Canadian National Railways' report and the T.C.A. report.

Mr. RHÉAUME: And perhaps before we go back to parliament with any recommendation?

The CHAIRMAN: That is right.

Mr. RHÉAUME: I am also wondering whether you could avoid seeing the clock for a short period of time so that we can ascertain what progress we may make.

The CHAIRMAN: We do not have very much more to consider. Perhaps we could finish tonight. Is it the wish of the committee to finish this item tonight?

Mr. PASCOE: Mr. Chairman, I must say that I have been asked by Mr. Horner to indicate that he has further questions to ask in respect of the subject covering "Outlook".

Mr. RHÉAUME: Perhaps we could make some effort to at least complete the subject we are now discussing before adjourning. The House of Commons commences sitting at 11 o'clock tomorrow morning and I am sure all members wish to be in attendance. Perhaps we could progress tonight to within striking distance of the conclusion so that we can finish our discussions within an hour tomorrow.

Mr. GORDON: I am quite willing to carry on now.

The CHAIRMAN: Mr. Gordon will have to get away tomorrow about 12 noon.

Mr. GORDON: I have a very important matter to attend to tomorrow afternoon so I will have to beg off at noon in any event.

Mr. PASCOE: I am quite willing to carry on but I have been asked to present Mr. Horner's desire to ask certain questions tomorrow in respect of the subject entitled "Outlook".

The CHAIRMAN: Shall we carry on for at least a while in an effort to conclude our questions on this subject?

Mr. CADIEU: I have several questions I should like to ask in respect of the subject entitled "Outlook".

The CHAIRMAN: I am afraid we will not be able to continue our questions in respect of "Outlook" tonight, but perhaps we could complete our questions under some of the other headings. Perhaps we could deal with the item entitled "Telecommunications".

Mr. RHÉAUME: I should like to ask one or two questions in respect of this subject, Mr. Gordon, and particularly in relation to the extensive progress that has been made in the Canadian north by C.N.T. through Canadian National Telecommunications which certainly is providing a tremendous service and living up to all its obligations, which you may consider it has toward providing Canadians generally with that level of service which is absolutely essential to their well-being. This situation is dealt with in your report.

I should like to make one comment in this regard; I think it is important that C.N.T. provides this kind of service allowing thousands of northern Canadians to communicate with their fellow southern Canadians, but I feel that the costs to consumers particularly in respect of these services should be examined very carefully. I believe I suggested to you privately that on occasion I ran up a personal telephone bill of \$400 to \$500 as a result of the excessive cost of telegram and telephone services in the north. I am wondering whether you can tell me if C.N.T. has hopes of financing this service in the first two years or whether it is prepared to amortize the cost over a longer period of time. We desire this service and are prepared to pay for it but I am afraid I am attempting to pay for it all by myself.

Mr. GORDON: When we commenced providing those services we did so on the basis of a study in respect of the economics and set charges in accordance with reasonable amortization principles. We applied the depreciation and amortization approaches in respect of the principles of telecommunications as we have done in respect of anything else.

Mr. DEMCOE: That is correct.

Mr. GORDON: We applied the same charges based on the economic requirements of providing the same type of depreciation for equipment as in respect of any other part of Canada and other facilities.

Mr. RHÉAUME: You are suggesting that if there is to be any relief or lifting of the burdens in respect of these costs it will have to come from the govern-



ment rather than from C.N.T. in the form of a similar kind of subsidy as applied elsewhere?

Mr. GORDON: I think these services should stand on their own feet. I do not think C.N.T. should be expected to provide subsidized services. If you have a good case and I do not mind saying that perhaps you have in your area under present circumstances, your representations should be made to the government.

Mr. RHÉAUME: Do you feel from the point of view of financing these services that they are on solid ground? I understand essentially these services were provided for defence purposes?

Mr. GORDON: That fact has been taken into account in the economic analysis. We do have some arrangements with the Department of Defence in respect of some of these costs. That department pays for part of the cost.

Mr. RHÉAUME: There is one other comment I should like to make; when the C.N.T. provides service lines to northern communities, which are very vital to those communities, it does so to every one except the non-white population. I have received this complaint from individuals in every northern community. The Indian people do not have access to these services. Generally there has been a filtering out in northern communities of Eskimo and Indian peoples who tend to live in small communities removed from those inhabited by the white citizens. I am wondering whether the C.N.T. has attempted to serve the larger concentrations of population, with a tendency to forget the Eskimo and Indian peoples. I am not suggesting that is the case, but feel that the C.N.T. officials should consider serving also the Indian and Eskimo people.

Mr. GORDON: There certainly is no colour bar in respect to the provision of these facilities. Certainly the question in respect of population density in areas must be considered in respect of justifying the capital expenses involved in providing these services. We cannot undertake to provide a telephone service to an individual located ten miles from the main inhabited area.

Mr. RHÉAUME: I am suggesting that there are single individual installations several miles removed from large established Indian communities, yet the services are run to that single federal government employee but not to the other individuals. I am wondering whether in the assessment of C.N.T. they should perhaps be a little more careful in this respect.

Mr. GORDON: I will take note of your recommendations and discuss them with Mr. White when I next talk to him.

(Translation)

Mr. MATTE: If my information is reliable, there were transfers of certain lines of the Canadian National to the Bell Telephone's benefit. Why?

(Text)

Mr. GORDON: We are in a competitive position in respect of telecommunications, and in areas where the Bell Telephone Company provides a service people prefer that service to ours; that is the way of business. We are in competition across the country with the Trans-Canada Telephone Association. Are you referring to telephone service only?

Mr. MATTE: I am referring to telephone and telecommunications service.

Mr. VAUGHAN: We are not engaged in the telephone service business.

Mr. MATTE: I am referring to telecommunications service.

Mr. GORDON: We are not engaged in the telephone service business.

Mr. VAUGHAN: We do have a telephone service operation in Newfoundland, the Northwest Territories and the Yukon but in general across Canada we are not engaged in the telephone service business.

Mr. BEAULÉ: We are referring to the telephone business.

Mr. GORDON: The telephone service business is always operated on the basis of a monopoly in a particular area. We have a monopoly in the Northwest Territories and in certain parts of Newfoundland. The telephone business is competitive as such. If you have in mind the fact that we have lost business to the Bell Telephone Company, for instance, in respect of certain radio and television broadcasting services you are absolutely right. That is a competitive situation. Is that what you had in mind? We lost a C.B.C. contract in certain areas a few years ago on the basis of price.

(Translation)

Mr. MATTE: Would the government have transferred from Canadian National to Bell Telephone? Would the government itself have transferred its operations to Bell Telephone rather than to use the Canadian National?

(Text)

Mr. GORDON: An open competitive tender was involved in that respect rather than a decision of the government. In other words, the Canadian Broadcasting Corporation asked the Canadian National Railways to submit a bid in respect of the provision of certain radio broadcasting and television facilities. At the same time it asked the Bell Telephone Company to submit a bid. We had that contract for quite a number of years but lost it in 1960, I believe. We lost that contract in 1960. It was a ten year contract which was lost to the Bell Telephone Company which made a bid on behalf of the Trans-Canada Telephone Association.

(Translation)

Mr. MATTE: But do you, in fact, believe that it would be better to use the Canadian National lines, since Canadian National is a government customer?

(Text)

Mr. GORDON: Well, that is a question of course, on policy. Personally, I do not think the government should require the Canadian Broadcasting Corporation to use Canadian National services. I think it is healthier that it should remain on the basis of competition. I do not believe in that kind of a monopoly.

You see, when you get it on a competitive basis then both sides of the picture are working like the very devil to improve their facilities in such a way as to give the best possible service.

Now, while the Canadian National might be so pure they never would take advantage of this situation if the Canadian Broadcasting Company had been instructed to turn the business over to the Canadian National, there is a reason the Canadian National might not want to spend the money to keep the plant in as good condition as it might otherwise be. Competition is the prod here and I am all for it.

Mr. PASCOE: I am not sure, Mr. Chairman, whether my question applies to the matters under discussion. My question is in respect of a program called Telepoll, which occasionally raises my blood pressure. Was that program financed by the C.N.R. last year and will it be repeated again next year?

Mr. GORDON: That is a program sponsored by the Canadian National and Canadian Pacific which we have had on hand since 1961 for the purpose of selling telecommunication services and making the names and functions of our two companies better known. You say you do not like it?

Mr. PASCOE: Once in awhile it raises my blood pressure.

Mr. GORDON: Then that is very good because so long as you take notice of it it is serving the purpose. We want you to notice it.

Mr. PASCOE: I will not change my mind in respect of it.

Mr. GORDON: We do not care what you say about it so long as you say something. You do look at the program and that is what we want you to do.

Mr. PASCOE: Definitely I do.

Mr. GORDON: Mind you, we do not provide the editorial comment or the editorial content; that is done by them.

Mr. PASCOE: Do you pay Mr. Frith?

Mr. GORDON: That is done by the C.T.V. network themselves. We do not provide the material or the facilities. We sponsor it, you see. This is an advertising effort.

Mr. VAUGHAN: Is it just like General Motors sponsoring something like a musical concert on television; it is the same thing.

Mr. PASCOE: And do I understand it is going to be repeated next year?

Mr. GORDON: We have not taken that decision yet. However, we have been very well satisfied with it and we probably will continue it.

Mr. GRANGER: Mr. Gordon, I would like to say a word of appreciation for the fine work C.N.T. is doing in those areas of central and northern Newfoundland which they serve and I would express the hope the same services will be extended to the whole coast of Labrador.

Mr. GORDON: Thank you very much. You will do me a great favour if you see that the Minister of Transport is informed of your comment.

The CHAIRMAN: Would you proceed, Mr. MacEwan.

Mr. MACEWAN: Do Canadian National telecommunications have any plans during this year, 1964, to combine their offices with Canadian Pacific offices throughout Canada?

Mr. GORDON: Well, it depends which offices you mean.

Mr. MACEWAN: I am thinking of the Atlantic area.

Mr. GORDON: Yes. The general trend will be in that direction in terms where message traffic is handled. Message traffic is on the way out; it is a declining business, I am afraid, and we will as much as we can sensibly combine these offices. The future for the old fashioned telegram is not very good.

Mr. MACEWAN: I am thinking of the Atlantic region mostly.

Mr. GORDON: Yes. We have a number of combined offices now and I think that trend will continue.

The CHAIRMAN: Gentlemen, is this section carried?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: The next section is personnel and labour relations.

Mr. PRITTIE: Mr. Chairman, there is a matter I wanted to bring up. I have here a letter Mr. Gordon sent to Mr. Pickersgill, who supplied a copy to Mr. Knowles, who gave it to me. It is in respect of pensions of retired employees. Do you recall this letter, Mr. Gordon? You said the committee would be a good time to bring this question up. As I say, it has to do with employees who retired prior to April 1, 1962, the amount of their present pensions and the possibility of an increase.

Mr. GORDON: What is your question?

Mr. PRITTIE: What are your proposals in connection with this? Is there anything to be done about the pensions which these people are receiving, which are very low?

Mr. GORDON: No. We have gone over this in very great detail before now and we disagree with the suggestion that those people who are on pension



should have their pensions increased because of improved benefits that may happen after the period in which they have been retired. We disagree with that. That would be giving a concession or privilege to retired Canadian National employees which is not given to anyone else in the country, and we see no justification for that.

Mr. PRITTIE: Well, it has been done in some other places. I know of some public bodies that have done this for people who through most of their earning years received very low wages, as a result of which they, in turn, received a low pension. I know of some who have made pension adjustments for their employees. I do not know whether or not it has been done in private enterprise.

Mr. GORDON: Do you mean retroactive adjustments?

Mr. PRITTIE: Yes.

Mr. GORDON: I do not know of them.

Mr. PRITTIE: I am thinking of the British Columbia municipal employees and the British Columbia teachers who have retired.

Mr. FISHER: And, the Ontario retired teachers.

Mr. GORDON: Well, it is not any part of our policy that retroactive changes should be made for the benefit of persons already retired when we are making a change in our pension fund plan. If we were to do that the cost of such retroactive adjustments would be such that it would militate seriously against our ever being able to recognize current employees in regard to their current requirements. We could not do it.

Mr. PRITTIE: I would suggest that for them the problem may not arise because pensions are much better now than they used to be and apparently there will be a national plan of some sort or other in the future. Have specific proposals been made by the retired employees to you and, if so, what has been the nature of these proposals?

Mr. GORDON: Well, I have this comment and I think I had better make it.

The question of retroactivity to persons already retired arises whenever a pension plan change is made which has the effect of improving benefits. If the change is not applied retroactively, it inevitably gives rise to comparisons between the position of members of the pension plan who retired or otherwise left the service before the change was made and those who do so afterwards. The difficulty is that if such a change were to be made retroactive at all there is no past date that could be selected which would not produce the same comparisons. The choice is, therefore, one between making amendments apply only from the date they are made or giving them unlimited retroactive effect. The complexity and cost of following the latter course would be such that if it were obligatory to do so it could only have the result of militating against the adoption of pension plan improvements. This would be an undesirable consequence and C.N. follows the practice of making pension plan improvements applicable only to employees in service when such improvements are made.

That is the statement that I was using myself in regard to our outlook and in regard to retroactive pensions. I think it is likely, however, since you mentioned Mr. Knowles' name, that the basic point was a broader one that you had previously put forward on a number of occasions both with respect to civil service pensions and those of Canadian National, namely, pensions paid to retired personnel should be increased from time to time in line with the cost of living. That has been his main argument in that respect. We disagree with that point of view very definitely.

The difficulties caused for Canadian National pensioners by increases in the cost of living are no different than those faced by other retired persons living on pensions, annuities or other forms of savings producing a fixed income.

As a publicly owned organization whose profits or losses are paid to or by government, the cost of increasing pensions payable to retired Canadian National employees would in effect be borne by the Canadian public at large. It has not been considered that it would be fair or proper that Canadian National pensioners should be granted special assistance from public funds over and above that provided by the government to all retired people by way of the old age pension. The old age pension, payable at age 70, as you know, without a means test has been increased by the government from time to time in recognition of the rises in living cost from the original amount of \$45 per month in 1952 to the present level of \$75 per month.

A Canadian National pensioner who was a contributor to the 1959 pension plan receives a pension based on a percentage of his last or best five years' earnings. His pension, therefore, reflects the wage and price levels existing at the time of his retirement. Upon attaining age 70, normally five years after retiring, his income is supplemented by the amount of the government old age pension, and when his wife reaches age 70 she also becomes entitled to the old age pension. These subsequent additions to the over-all income of a pensioner and his wife will, in most circumstances, compensate for increases in living cost occurring after retirement.

My point there is that one cannot, in our opinion, pick out the Canadian National group as a special class to be given recognition different from that given to other retired people who are faced with the same problem in regard to the rise in the cost of living.

(Translation)

Mr. BEAULÉ: Mr. Gordon, you are no doubt aware that the government of Quebec will, in January 1966, bring the compulsory pension plan into force for all workers in Quebec who have reached the age of 18 up to 70. What is going to happen to Canadian National employees who are presently contributing to the pension plan and who live in Quebec province?

(Text)

Mr. GORDON: Well, I do not know. We cannot tell that until we see the legislation. I have been warned enough about accepting what I read in the papers, and I do not know any more than what I saw when I glanced in the papers this morning. However, I assume there will be an integration between the private pension plan and the government sponsored pension plan, and we will not be able to decide what is necessary there until we have the actual legislation for it.

As a matter of fact, this has been agitating the Canadian National Railway employees a great deal, and we sent out a notice to them. This has reference to the Canada pension plan but has the same connotation, we assume, in regard to the provincial part of it. We said this to our employees:

Reports reaching the pension and welfare plans office indicate that some employees are becoming unnecessarily concerned as to the possible effects of the Canada pension plan on the C.N. pension plans. In the hope that it will relieve the main concerns which have been expressed, the following statement is being made:

1. The C.N. pension plans will not be replaced by the Canada pension plan.
2. Any co-ordination between the Canada pension plan and the C.N. plans will relate only to contributions and benefits in respect of earnings and service after the Canada pension plan comes into force. It will not affect pension benefits which have accrued to employees under the Canadian National plan up to that time.

3. The combined benefits which an employee will receive under the Canada pension plan and the C.N. pension plan will be at least as large as the benefits provided at present under the C.N. pension plan.
4. The C.N. pension trust funds will continue to be held and administered by the Canadian National Railways company in trust for Canadian National employees and pensioners for the purpose of providing present and future pension benefits in accordance with the rules of C.N. pension plans.

So what we said there in regard to the Canada pension plan itself, I think, as far as I can see from what the papers have said, will have the same general effect in regard to the Quebec plan.

(Translation)

Mr. BEAULÉ: About a fortnight ago, because Mr. Lesage gave the broad lines of the pension plan on television and stated that all those working and living in Quebec will be subject to the pension plan except those persons attached to embassies and to international corporations. Such employees only will be exempt from the plan but all other employees will be subject to the compulsory pension plan. The Premier himself gave this as his opinion on television about two weeks ago.

(Text)

Mr. GORDON: There have been no discussions with us in regard to how it is going to be worked out and with particular reference to the position of crown companies on this particular legislation. We cannot do anything about it until we find out what the policy is going to be in that respect and until we see the actual legislation.

(Translation)

Mr. MATTE: Mr. Gordon, after meeting several Canadian National employees, I believe that the CN would pay moving expenses in the event of an employee being transferred; precisely because of local instability for many employees, due to seniority probably. It would seem that those who occupy the top positions do not object, but the ordinary worker who has most need of this privilege of removal privileges when needed can not profit by it. What do you think of this?

(Text)

Mr. GORDON: The matter of dislocation costs is another matter that is apparently examined in terms of possible legislation changes which were proposed, I think, in Mr. Fisher's bill; and since then I think the Minister of Transport made some reference to it this morning. But we do have a policy that does recognize types of moving expenses which we do pay. Can you add to what I have said, Mr. Vaughan?

Mr. VAUGHAN: It normally happens that the employee and his family are given transportation orders to go from A to B. Similarly, they receive what we call a free freight order to move their household goods from one point to the other. The company does endeavour to make the move as pleasant and easy as possible. That, briefly, is about the extent of it.

(Translation)

Mr. MATTE: But is there any difference between the senior official who would be moved and the simple worker? We often hear criticism in this respect from the people . . .

(Text)

Mr. GORDON: I do not think that is a valid criticism. The senior official in the first place, as part of his development in the company moves much



more frequently. We do not compensate the senior official for all the expenses to which he is put. Mr. Demcoe, I guess, has done about as much moving as most people around, and every time he has moved it has cost him money; you can be sure of that—and he has made that known more than once. Nevertheless, it is part of the penalty of advancing in the service, so to speak. We pay part of the moving expenses on pretty much the same basis as Mr. Vaughan has outlined, but there is no special compensation to the senior officials in regard to dislocation of the type you mention.

(Translation)

Mr. MATTE: Now, Mr. Gordon, I have another question. What do you feel about employees who have to contribute to two unions?

(Text)

Mr. GORDON: I do not think I should comment on the relations between unions and employees; that is a matter between themselves.

Mr. HORNER (*Acadia*): On a point of order, what is the view of the committee with regard to continuing? It is now half past ten. We started at ten o'clock this morning. Surely we can shut it down now. We agreed to take in an extra half hour this evening and to sit from 7.30 to 10. We started this afternoon at 3:30 and we went on until 6 o'clock. Surely we still have quite a bit of work to be done with regard to outlook, board of directors, personnel and labour relations. I think that we should adjourn now and come back tomorrow morning at 9:30 and whip it through before noon tomorrow.

The CHAIRMAN: I am quite in agreement with you, Mr. Horner. All we are trying to do is to finish with labour relations if we can.

Mr. HORNER (*Acadia*): If we are going to adjourn, let us adjourn now.

Mr. FISHER: Let us finish it. It was agreed by Mr. Pascoe and the rest that we can finish this today.

Mr. HORNER (*Acadia*): What is the use of sitting ten more minutes if we can finish it tomorrow?

The CHAIRMAN: Could we not finish with labour relations tonight?

Mr. HORNER (*Acadia*): I have a lot of points on it. I think we should adjourn now and come back tomorrow at 10 o'clock.

The CHAIRMAN: It is up to the committee. Do you want to adjourn now?

Mr. HORNER (*Acadia*): I will so move.

The CHAIRMAN: Is it seconded?

Mr. BEAULÉ: The house sits at 11 o'clock tomorrow.

Mr. HORNER (*Acadia*): We can come back at 9:30.

Mr. PASCOE: We are meeting at 9:30 tomorrow anyway.

Mr. FISHER: Why not finish this section today?

Mr. PASCOE: I can finish my points in two minutes.

Mr. HORNER (*Acadia*): I cannot finish mine in two minutes.

Mr. FISHER: Oh, go on.

The CHAIRMAN: Does anybody second Mr. Horner's motion?

Mr. HORNER (*Acadia*): I moved the motion and Mr. Pascoe seconded it.

Mr. PASCOE: I did not second it. I can finish my part very quickly.

The CHAIRMAN: There is no seconder to the motion; it is lost.

Gentlemen, there is no quorum. The meeting is adjourned.

FRIDAY, June 19, 1964.

(Text)

The CHAIRMAN: Order. Gentlemen, the feeling indicated last night was that we might strive to finish before eleven o'clock this morning. I know that I shall have your co-operation. In any event we shall proceed with Mr. Pascoe and then Mr. Prittie who asked for the floor just before closing last night.

Mr. PRITTIE: No, I did not.

The CHAIRMAN: Very well then. Mr. Pascoe.

Mr. PASCOE: Under this item of personnel and labour relations I have one matter to bring to the attention of Mr. Gordon for possible comment. It concerns proposed amendments to the Canadian National Railways pension plan. I have letters here from constituents asking me to discuss this proposal at this committee. Perhaps I can best do so by outlining the main point of the letter which has to do with earlier retirement from the railway service through pension changes. There are two suggested changes in the pension plan. I am sure Mr. Gordon has received all these proposals, and I shall not elaborate. But let me read from the letter:

I would, therefore, appreciate your earnest consideration of the following revisions to the Canadian National Railways pension plan.

- (1) Revision of Rule 7(1) to allow for:  $1\frac{1}{2}$  per cent for each year of allowable service.
- (2) That Rule 7(2) be amended to permit of the following:  
A contributor may elect to retire at age 60, or any age thereafter where the employee's age and years of service total 85, with no reduction in pension, i.e., full allowance for all time worked.

I promised these constituents who wrote to me that I would bring the matter up before the committee. Perhaps Mr. Gordon might care to comment on it at this time.

Mr. GORDON: My general comment is that this letter is a representation to the effect that the benefits of our pension plan should be increased. It raises the whole question of whether or not our pension plan is adequate, all things being considered. We have made a number of analyses in that connection and we believe that our pension benefits are in line with benefits which are made available by other large companies, particularly by our competitors, and that we are, so to speak, performing at a good normal level. We have a good pension fund, and we do not believe that representations to the effect that it should be increased in the matter of benefits are justified, all things considered. As to these letters you refer to, remember that we have a pension fund committee on which there are labour members. The men are represented on that board. These discussions took place some time ago. The general opinion is that our pension plan is adequate.

Mr. PASCOE: I may assure these members then that their proposal has been looked at?

Mr. GORDON: Yes, definitely. If you wish to send the letter to me, I will reply and tell you so.

The CHAIRMAN: Mr. Lamb?

Mr. LAMB: I have no questions.

The CHAIRMAN: Are there any further questions on labour?

Mr. COWAN: I would like to bring up a specific matter. I did not like a newspaper story from Toronto that the Canadian National Railways laid off a man from employment after he had been satisfactory for four years. The

newspaper said it was done because he had been in a penitentiary as a convict. We have to hire convicts because they have to make a living and keep their families. May I ask if there is any truth in that report? I do not want you to be too specific about the matter, and if necessary I will step aside.

Mr. GORDON: I would suggest that it is not in the interest of the individual concerned to get into a detailed discussion about this particular situation. We do not have a general rule that we do not employ people who have been found guilty of a criminal offence. We have rehabilitated people of that kind in various ways. But there are many considerations that need to be carefully looked into. Let me say to you: Do not believe the newspaper story as being 100 per cent correct.

Mr. COWAN: With great regret as a newspaperman I would like to hope that your reply will be wide-spread.

Mr. GORDON: I do not think it would benefit the individual if we should go into details.

Mr. COWAN: I accept your statement.

The CHAIRMAN: Do personnel and labour relations carry?

Carried.

Before we go ahead, I feel obligated to say a word. Last night Mr. Cowan asked me if he might ask one question on telecommunications although that heading has been passed. Does the committee agree?

Agreed.

Mr. COWAN: Thank you. I had to be in the house last night and I could not stay for the last ten minutes of the committee meeting. However, there are some questions I would like to ask under telecommunications. I notice that the first paragraph of your report points out that your revenues from telegrams and broadcasting facilities were lower. Would the president care to comment on that point? Or would he rather have me ask questions on why the revenues for broadcasting facilities were lower? I am referring to page 12.

Mr. GORDON: Yes. Revenues from telegrams were lower because, as I said last night, the telegram business is on its way out. The business has lost its appeal to the public, in the form of telegrams, and it is in my opinion likely to continue to decline. I do not say that it will be cut off in the next few years, but it is certainly a declining business. This is happening to the telegram business all across the continent. The same is true in the United States.

On the question of broadcasting facilities, it is a matter of timing, I suppose. I was looking at the timing impact of it. As I said last night, the railways lost a C.B.C. contract, one that they had held for quite a number of years. When tenders were called for a ten year contract, the Bell Telephone Company on behalf of the Trans-Canada Telephone Association got the contract on the basis of price.

Mr. COWAN: I understand that the Canadian Pacific and the Canadian National Railways have been carrying these radio programs to the 195 stations for thirty years.

Mr. GORDON: That is right.

Mr. COWAN: After thirty years experience, would not the Canadian Pacific and the Canadian National Railways be pretty well aware of what their costs of operations are in that field?

Mr. GORDON: They are.

Mr. COWAN: If the Bell Telephone Company was able to undercut you in their tender by 25 per cent—which I understand was the figure—would you say that the original figures all together were too high, or would you say that



Bell Telephone was tendering at a loss in order to get the business away from the Canadian Pacific and the Canadian National?

Mr. GORDON: I cannot answer specifically about the Bell Telephone Company. I do not know. I do not know how the company does it. But we feel that we put in a good commercial bid, and that if we had gone much lower, we would have lost money. There is a factor of course in the picture which may or may not be cost. I am not giving evidence on this. I merely mention it. I say that the Bell Telephone Company have an advantage in connection with long distance telephones. They could, in their costing system, decide to load on part of the cost to the long distance, on that basis. Perhaps I had better stop there because I do not know. It is a matter of how they have done their costing. All I can say is that the railways have a good costing system, and that we quoted the best price we could.

Mr. COWAN: Do you know any way by which the company could do its costing on a tender basis if it does not get a tender price from the subcontractors first? I understand that in the loss of this business the Canadian National Railways gave the only available service for Newfoundland and the Yukon territories, and that they were sold by the Bell Telephone Company before the Bell Telephone Company was awarded the contract. How could you quote a price if you did not ask your subcontractors what their price would be first?

Mr. GORDON: I do not know.

Mr. COWAN: That is my question, too.

Mr. GORDON: You are trying to establish how the Bell Telephone Company could quote for business on a basis which we think is not economic. My answer is that I do not know.

Mr. COWAN: I note your comments about long distance radio, and I would like to quote from a joint letter signed by Mr. Emerson on behalf of Mr. Crump, and also signed by you, under the date of August 30, 1961. It reads as follows:

Assuming that it is in the national interest to maintain competition in the communications industry, we think you will agree that such competition cannot be preserved if one group is permitted to quote depressed rates in the competitive situation and to obtain recompense through higher rates for other services.

Public long distance telephone rates in Canada are 50 per cent or more above comparable rates in the United States which are regulated by the federal communication commission,

Did you receive any reply to that letter from the former minister of transport in the previous administration?

Mr. GORDON: In all likelihood, but I cannot say so specifically without looking at my file. My recollection is that it was acknowledged, and that is all.

Mr. COWAN: You mean it was acknowledged; that your letter has been received, and it will be filed and forgotten. You mean that?

Mr. GORDON: I did not say that.

Mr. COWAN: Some years ago I had the pleasure of working with Mr. Davidson Dunton, when we brought to Toronto a television program of the world's heavyweight championship club from Detroit by way of the Canadian Pacific and the Canadian National from Detroit to Toronto, when we already had a service established between London and Hamilton to pick it up. In how many places in Canada are television programs brought into the country from the United States?

Mr. GORDON: I would have to check it, I cannot remember offhand.

Mr. COWAN: Do you bring in programs from Detroit to London and Hamilton for the Canadian network now?

Mr. GORDON: I am not sure. I would have to ask my officers.

Mr. COWAN: It can be done, and I understand there is a line in existence between Buffalo and Toronto for the connection.

Mr. GORDON: I do not know if there is anything to prevent the system from picking up programs between Boston and Saint John, or between Burlington and Montreal if there were co-operation by the radio and television interests. As far as I know on the technical side it could be done. But I would want to talk to my officials about the policy side.

Mr. COWAN: When the C.B.C. was calling for tenders for the 195 radio stations, why did they not call for tenders station by station, rather than only for an over-all national contract?

Mr. GORDON: That would be C.B.C. business. They have to decide what they want us to work out in order to respond to their requests.

Mr. FISHER: What are we talking about?

Mr. COWAN: We are talking about the 195 radio stations in particular. May I ask if this is the first time the C.B.C. has ever tried to save money, or if there have been other instances?

The CHAIRMAN: Order.

Mr. COWAN: I have just one other question.

Mr. GORDON: I would like to make one comment for the record: I am not running the C.B.C., and I do not intend to.

Mr. COWAN: I have just one more question. I regret that I have had to attend many times in the house when questions were dealt with here, and this subject may already have been dealt with. But I gather from the newspapers and my friends on the committee that you are concerned that if the Canadian National Railways is not recapitalized and continues to show recurring deficits the morale of the executives and personnel may drop. Is that right?

Mr. GORDON: Yes, very much so.

Mr. COWAN: I wondered if you were worried about other costs, because when the C.B.C. suffered its biggest loss in history, at that very time they doubled the salary of the manager. Do you expect to receive the same treatment?

The CHAIRMAN: Order, order. I think we are getting away from telecommunications. We have just carried personnel and labour relations.

Mr. FISHER: I have a supplementary question.

Mr. GRÉGOIRE: Before we go on to "outlook" I would like to say this.

(Translation)

I would like to ask you a question concerning—because it is mentioned in this chapter—the recapitalization of the Canadian National.

(Text)

Mr. RHÉAUME: I have to object on a point of order because we have already carried the sections right up to "Outlook". Are we going to reopen them?

The CHAIRMAN: No, I do not intend to permit it. We are now on "Outlook". Is that what you want to speak on, Mr. Grégoire?

(Translation)

Mr. GRÉGOIRE: No, Mr. Chairman. Before we examine the Outlook . . .

(Text)

Mr. PRITTE: Mr. Grégoire may ask his question under "Outlook", if he wishes.

(Translation)

Mr. GRÉGOIRE: No. On a question of privilege, Mr. Chairman. You will see what I mean if I may be allowed to speak for one moment. In the chapter concerning the Outlook, the recapitalization of the Canadian National is mentioned. Before I speak about this matter, I would like to know if we may discuss it. May we talk about the issue of recapitalization, or shall we discuss it at a later date in this committee? If it is to be discussed in this chapter, I would request the calling, at the proper time, of other witnesses who are willing to discuss the recapitalization of the Canadian National. If this problem is not to be dealt with by the committee this morning, I believe that it would be useless to call witnesses on this matter. If it is not discussed, there is no problem.

The CHAIRMAN: Mr. Grégoire, I must tell you that it was agreed to discuss only the reports of the Canadian National and not the problem of recapitalization. We will hear no witnesses during the discussion of the annual report of the Canadian National.

Mr. GRÉGOIRE: Then, may I ask a supplementary question, Mr. Chairman? I probably can ask the minister of Transport about this problem concerning the recapitalization of the Canadian National. Will it be referred to the Standing Committee on Railways and Canals during the current session?

(Translation)

Mr. PICKERSGILL: I can only give a qualified answer because I am not parliament, but so far as I am concerned, if I am able to get legislation before parliament, I propose when it gets second reading to ask that it be referred to this committee.

Mr. GRÉGOIRE: Then, if I understand the answer of the Minister of Transport, the recapitalization of the Canadian National will not be effected before it is studied by this committee?

Mr. PICKERSGILL: Yes. This is understood.

Mr. GRÉGOIRE: Agreed.

At that stage, will we have the time and occasion to hear the witnesses we wish to question on this matter?

Mr. PICKERSGILL: It is for the committee to decide on this matter, but I think so.

(Text)

Mr. FISHER: We would not move on recapitalization without hearing from Bob Thompson.

Mr. GRÉGOIRE: I beg your pardon?

Mr. FISHER: We would not move without hearing from Bob Thompson on recapitalization.

The CHAIRMAN: Order. We will now move to a consideration of the item entitled "Outlook". Mr. Fisher and then Mr. Grégoire will have the floor.

Mr. FISHER: The only question I have in respect of "Outlook" really relates to the prospective settlement of the nonoperating employees' demands. The one thing I am concerned about, Mr. Gordon, in coming weeks, in respect of which there is some worth-while apprehension in view of the last settlement, is the very large sums of moneys that will start flowing around as a package, which is the amount the railways will have to supply in order to meet the demands. I am wondering whether you can tell me anything about the prospects as you see them of meeting either the conciliation board report or a lesser settlement in financial terms?

Mr. GORDON: Yes. The current situation is that the conciliation board has brought in a majority award. That is, two members of the board, the chairman



and Mr. David Lewis, have joined in what is referred to as a majority award. We have been notified through the Minister of Labour that the unions have accepted that majority award. The effect of the majority award would put a cost upon the railways of about \$57 million over the period of the contract.

Mr. FISHER: The period of the contract is three years, is it?

Mr. GORDON: No, the period of the contract is two years. The fact is that the railways have not yet indicated their views in regard to either accepting or rejecting the award. That is a matter which is very currently before me and Mr. Crump, as of now. I hope to have a meeting with him as quickly as possible to see whether we can determine or arrive at any conclusion in respect of how to face these enormous demands upon us in light of the fact that our freight rates are frozen and various other things are almost in a state of impasse. Therefore, this is at a stage in respect of which I cannot make any positive assertion of what our reaction will be. In fact, as of now we are obliged to answer whether or not we will accept their award.

Mr. FISHER: Is there any relationship between pending legislation, and I have in mind the MacPherson commission legislation, and your attitude or capacity to determine an answer?

Mr. GORDON: Yes, there is a direct relationship because, as you know by reason of the various freezes and the delay—I suppose I might as well say delay although I do not mean that critically, but the fact is that the recommendations of the commission have not yet reached the point of legislation—there have been interim payments made to the railways covering a sum of \$50 million that is divided between the railways pending the implementation of the MacPherson commission recommendations. As of now, we just do not know where we stand. We have to get together to see whether we can see a course ahead of us.

Mr. FISHER: My last question relates to the outlook of your pension situation particularly with regard to the acknowledged liability. Is there any possibility of that acknowledged liability being affected by the change in the pension arrangements created either by the Canada pension plan or the Quebec plan?

Mr. GORDON: I do not think so, but again I have to wait until we have studied the actual legislation. At the moment I do not see that the acknowledged liability would be affected unless in some way or another our commitments in regard to pensions are increased. My understanding is that that is not the case. Again I say our experts will have to study the actual legislation. We have not got the actual legislation yet.

The CHAIRMAN: Mr. Horner?

Mr. HORNER (*Acadia*): Mr. Chairman, I think perhaps you were surprised when I agreed to pass the item on personnel and labour relations so quickly this morning, whereas I objected to it last night. This is evidence that I am in a co-operative mood.

The CHAIRMAN: I always thought you were the most co-operative man I had seen.

Mr. HORNER (*Acadia*): Under the item entitled "Outlook" I am trying to envisage what the C.N.R. has in mind exactly in respect of future grain movement in the west. Is it correct Mr. Gordon that on the prairies there are something like 8,000 miles of railroad? Is that a reasonably rough estimate?

Mr. GORDON: Are you referring to the entire prairie regions?

Mr. HORNER (*Acadia*): I am referring to the prairie regions.

Mr. GORDON: Have we got the mileage there? Which area do you mean by the prairie area?

Mr. HORNER (*Acadia*): I am referring to Manitoba, Alberta and Saskatchewan.

Mr. GORDON: Do you have both railways in mind?

Mr. HORNER (*Acadia*): I am referring only to the C.N.R. I would not want to question you about the C.P.R.

Mr. GORDON: I can give you this on our route miles operation. Manitoba has 3,101.55, Saskatchewan has 4,341.38 and Alberta has 2,238.62. That totals about 9,600 miles.

Mr. HORNER (*Acadia*): In your plan of appraisal of the situation you are applying to the board of transport commissioners for permission to abandon approximately 2,500 miles of that track, or something in that neighbourhood, in the same three provinces?

Mr. GORDON: There is a table, which I had yesterday, showing the actual filing by mileage.

Mr. DEMCOE: This is the one here.

Mr. GORDON: The actual applications filed with the board of transport as at this moment show 84 applications totalling 3,360 miles of which 2,964 miles are in the prairie and mountain regions.

Mr. HORNER (*Acadia*): Was the figure 2,900?

Mr. GORDON: The figure is 2,964 miles of track in the prairie and mountain regions. Those are applications that have actually been filed up to date.

Mr. HORNER (*Acadia*): Just for the committee records, Mr. Gordon, would a comparison in respect of C.P.R. applications be roughly the same. I realize the C.P.R. has less track but do you feel it is their desire to abandon nearly one third of their track mileage in the prairies as well?

Mr. GORDON: I cannot answer for the C.P.R., but I do not think so. They have not got as many thin-density traffic lines as we have in that respect.

Mr. HORNER (*Acadia*): Even before you used that expression I intended to ask this question before I concluded. Can you give the committee some idea what you mean by a thin-density line?

Mr. GORDON: A thin-density line is not necessarily a candidate for abandonment.

Mr. HORNER (*Acadia*): I realize that.

Mr. GORDON: I do not know any better way of describing it than just by that expression. It describes itself. It is a line that does not have the volume of traffic that is needed to make a return on an economic basis.

Mr. HORNER (*Acadia*): You have not got a figure in respect of ton miles or anything like that which you hang on.

Mr. GORDON: No. We have said this before, that we do not work on rule of thumb methods, we work with a specific analysis.

Mr. HORNER (*Acadia*): I wonder whether you could determine what you mean by "thin-density line"? I thought perhaps you might have a detailed explanation. I know the decisions you arrive at are quite detailed from time to time.

In respect of the proposed abandonment of one third of your trackage in the prairie regions, do you see any loss of business? Let us assume for example you are going to abandon a line that is 50 or 60 miles long and a person who is living about 50 or 60 miles may well be within 40 miles of the C.P.R. line.

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): That man would then haul to the C.P.R. Do you envisage any real loss of business because of abandonment?

Mr. GORDON: That has been taken into account in our analysis.

Mr. HORNER (*Acadia*): Can you give me a figure in this regard?

Mr. GORDON: No. Each application, as I showed you in the form I tabled with the committee here, constitutes a careful analysis of all the factors that would be involved in the abandonment of a particular line, and we take account of any implication of the character you mentioned.

Mr. HORNER (*Acadia*): What I am getting at is this. Over the years—and, correct me if I am wrong; you see, I use generalities because I am not in possession of all the detailed information in respect of the operation of a railroad—the Canadian Pacific railway has handled about two thirds of the grain crop and the C.N. one third. At least, this is the figure I have in mind.

Mr. GORDON: As a matter of fact, that is a popular illusion in respect of the division of grain. The figure you mentioned is based in respect of western Canada only and the sort of normal ports; but, if you include the carrying of grain through Churchill and so forth—and Mr. Demcoe may recollect what we handled—we handled more grain than the Canadian Pacific railway last year.

Mr. DEMCOE: That is correct.

Mr. HORNER (*Acadia*): I am pleased to hear this.

Mr. GORDON: Yes. We handled more grain physically than they did.

Mr. HORNER (*Acadia*): And, this is including Churchill?

Mr. GORDON: Yes.

Have you the figures for that, Mr. Demcoe?

Mr. DEMCOE: We handled 127,156 cars loaded at country elevators last year in comparison to 124,513 handled by the Canadian Pacific.

Mr. HORNER (*Acadia*): All right; that is a 50-50 break.

Mr. DEMCOE: Actually, it was the first year we were ahead of them.

Mr. HORNER (*Acadia*): This is the first year.

Mr. DEMCOE: Yes. The previous year we were a couple of thousand behind them.

Mr. HORNER (*Acadia*): And, it used to be on a 60-40 basis.

Mr. GORDON: No. Mr. Demcoe said it was roughly 50 per cent last year and the year before as well; this is the first year we are ahead of them. But, in the previous years we usually were 2,000 or 3,000 cars behind them.

Mr. HORNER (*Acadia*): This would be the crop year we are speaking of.

Mr. GORDON: Yes, the crop year.

Mr. DEMCOE: Yes.

Mr. HORNER (*Acadia*): In your study or analysis in wishing to abandon nearly one third of your trackage in the three prairie provinces what percentage of loss of business in grain handled do you see moving toward the Canadian Pacific rather than your own line. Surely you have taken a look at this.

Mr. GORDON: I have not the over-all figure before me but I suppose we can get it if we took all these applications and added them up. But, I do not have that information available for you this morning.

Mr. DEMCOE: We have not made that type of analysis actually. Our research and development department may have it. However, I think probably it would be a 50-50 break. The farmers would haul a certain amount of grain to our lines as well as to the Canadian Pacific lines and any lines that they would abandon we probably would get a 50 per cent break as well.

Mr. HORNER (*Acadia*): Yes, but your assumption is in error for this reason; the Canadian Pacific are not going to abandon as many lines; they have not as many branch lines to abandon and because you are doing the abandoning you



are going to leave many farmers and farm organizations far closer to Canadian Pacific tracks than is the case at the present time. I suspect there would be a loss of, say, 10 per cent perhaps.

Mr. DEMCOE: It may be.

Mr. HORNER (*Acadia*): You have not made any analysis in this respect?

Mr. DEMCOE: Our research and development department may have but we in operations have not.

Mr. HORNER (*Acadia*): Do you not think you should make such an analysis before you so readily abandon one third of your trackage?

Mr. GORDON: I have said on several occasions in respect of this whole matter of the abandonment of branch lines—and you can rest assured we have made a study in connection with every particular point that is relative to that question and these applications—that they are going to be gone into not only by the board of transport commissioners but there is also a provision here for legislation to establish a branch line rationalization authority and a branch line rationalization fund to be continued for 15 years to assist in the establishment of an orderly program for the improvement and efficiency of railway branch lines. Each one of these applications will be dealt with by these specific boards which will be set up, and any person who has any interest in it will be given an opportunity to be fully heard.

I would suggest that it is better to leave the question to that kind of an examination than to try and deal with it in this committee in the form of generalizations. I did not come here prepared to deal specifically with the branch line abandonment program because it is going to be dealt with in detail by special boards appointed for that purpose and at that time we will have expert witnesses who will give all the particulars that you possibly could dream up, and that is saying a lot.

Mr. HORNER (*Acadia*): It sure is.

Mr. GORDON: I am suggesting in the interests of time that we are not getting very far in this discussion because we are not prepared for it. It may look to you that we have not these particulars. I am quite sure we have. They are available and will be available at the proper time when this is before the special investigating boards which have been set up for that purpose.

Mr. HORNER (*Acadia*): I agree.

Mr. GORDON: I myself am not sure but perhaps the minister could tell us whether or not this question in western Canada has been entrusted to the Minister of Agriculture.

Hon. J. W. PICKERSGILL (*Minister of Transport*): If I may say a word about this, Mr. Chairman, the government, as the order paper indicates, is anxious to get on with the legislation based on the MacPherson report and it simply has to take a reasonable place in the queue. It is going to be brought on this year, if parliament will permit it.

Mr. HORNER (*Acadia*): Bring it on next week.

Mr. PICKERSGILL: I do not want to leave any doubt in your minds whatsoever about that.

Mr. HORNER (*Acadia*): Then bring it in next Monday.

Mr. PICKERSGILL: After parliament has been able to dispose of other matters the government, so long as it is the government, has the right to decide which legislation is more urgent, and when it will bring it on. When it is brought on we intend to go through with it, if parliament is willing to accept it. We do not intend to permit in any short period anything like 2,900 miles of railroad to be abandoned in the prairies.

Mr. HORNER (*Acadia*): You say in any short period. What do you mean by that?

Mr. PICKERSGILL: Well, in less than 15 years because, that is specified.

Mr. HORNER (*Acadia*): Fifteen years is a short time in a country's lifetime.

Mr. PICKERSGILL: I know I am only a guest here and perhaps I am not to be allowed to continue what I am saying without interruption, but it would be easier for me to complete my statement, if I could. I say we are asking parliament to provide a considerable sum of money, and I do not expect very much of that to be spent anywhere except in the prairies. There may be a little elsewhere but, as I said, I do not expect very much to be spent anywhere except in the prairies for the express purpose of keeping branch lines going which, on a balance sheet basis, would be closed by a business just looking at its balance sheet. The purpose of this is to make sure that there is no real hardship and no real economic loss to the farmers, and not social loss to those communities.

Mr. GRÉGOIRE: That is not what you have done in the province of Quebec where you have abandoned lines.

Mr. PICKERSGILL: But I think this really is hard on Mr. Gordon, because it is not primarily his business but the business of the government. Mr. Gordon and the Canadian National have agreed not to proceed with any abandonments on the prairies at all until this legislation has been passed and, as I said, it is very hard for him because he does not know what is in the bill. I do but he does not.

Mr. HORNER (*Acadia*): Bring it in and let us have a look at it on Monday; it is the most urgent problem on the legislation.

Mr. PICKERSGILL: It is an urgent problem. If you could persuade your friends to get on with the business that is now engaging the attention of parliament there will be no delay in bringing this up.

Mr. RHÉAUME: Mr. Chairman, on a point of order, this committee does not have to take gratuitous lectures from our guest and if the government chooses to debate the flag issue before the railway legislation, which the minister said yesterday they intend to do, he cannot come to this committee as a guest and say parliament is holding it up. It is the government that is holding it up.

The CHAIRMAN: Order, gentlemen. I think an awful lot of gratuitous statements are being made here. That matter has been raised a couple of times already and I wish we could get along with the questioning in respect of outlook.

Mr. HORNER (*Acadia*): I would like to continue, Mr. Chairman. My question will continue along lines of the future outlook of the Canadian National in respect of grain movement on the prairies. Because we have been given prior information on this subject before by Mr. Gordon himself, I am aware he is not going to be chairman of the Canadian National for too many more years. I am not saying this in any derogatory sense, as this is his own admission and the government's admission, and everyone is agreed he will step down sometime. But, he has outlined and stated quite clearly to this committee that his Winnipeg speech is a well edited speech and contains the best thinking of Canadian National management generally.

Mr. FISHER: On a point of order, Mr. Chairman, this speech has been on the record for almost two years now. It has been debated in the House of Commons on several occasions; I know I brought it up twice. It was before his committee last year. Now, there is a rule in respect of repetition. This is a general rule in so far as the proceedings of either the house or its committees are concerned.

I would like to suggest to you, Mr. Chairman, that there is a very strong element of repetition in this, as I have said. After all, if we have had something that has been debated in the house and has been before this committee in previous years I think that should be sufficient. But, we are now getting it again at Mr. Horner's insistence. I think we can go a little bit too far in

this connection. I would like to suggest that Mr. Horner has had a tremendous latitude in this committee in respect of putting questions on branch line abandonments. He has brought this question up on every occasion that it has been possible for him to do so.

Mr. Chairman, I would like you to give very serious consideration to my suggestion. We are getting close to 11 o'clock.

Mr. HORNER (*Acadia*): I did not interfere when you were putting questions.

Mr. FISHER: Mr. Chairman, I was just wondering if there was any possibility of cutting off this line of questioning.

Mr. HORNER (*Acadia*): You believe in closure, do you?

Mr. FISHER: Yes, I believe in closure. I never have been against it.

Mr. HORNER (*Acadia*): Many a time I could exercise it against you.

Mr. GRÉGOIRE: On a point of order, Mr. Chairman.

(*Translation*)

I think we should remember that the committee which is now sitting is not the same committee which sat during the past years. Therefore, if a member wishes to ask questions which have already been asked before another committee, that is not being repetitious, but new questions asked before a new committee. That is why I believe that the kind of questions asked by—

(*Text*)

Mr. HORNER (*Acadia*): I do not know what you are saying; they have not given me a wire to listen to.

Mr. GRÉGOIRE: If you would listen, I am giving you the right to ask those questions. You should listen to your earphone. When you speak I listen with my earphone.

Mr. HORNER (*Acadia*): But I have not one.

The CHAIRMAN: Order, gentlemen. I am sure Mr. Horner realizes that we are limited in time if we are going to finish this morning. Personally, I do not care. But, in any event, I am sure he realizes that. That is why I have allowed the questioning to proceed. I felt he realized the limitation of time.

Mr. HORNER (*Acadia*): This is exactly what I said at the opening of the hearing this morning. I said I would waive my questions on personnel and labour relations because I wanted to ask some questions on the outlook. It is my wish to be finished at 11 o'clock. We have harangued at some length now and Mr. Fisher and company have tried to bring closure on me for the last 10 minutes.

Mr. BEAULÉ: Which company?

Mr. HORNER (*Acadia*): Not your company; you are good company.

Mr. GRÉGOIRE: Which company?

The CHAIRMAN: Let us get ahead with the questions.

Mr. PICKERSGILL: I wonder if Mr. Horner would permit me to utter two sentences which I think might help all of us. I have given an undertaking on behalf of the government, so long as the present government is in office, that there will be no abandonment on the prairies of these branch lines until the legislation which is now before the house has been disposed of. And that legislation, in turn, will be sent, if the house agrees, to this committee for consideration. At that time we will know what the intention of the government is as well as the intention of the Canadian National Railways, and at that time we will be able to discuss the matter in the light of that knowledge. I am just giving this undertaking because I think it might be helpful.

Mr. HORNER (*Acadia*): I appreciate it very much. Then this committee would be able to call all interested parties?



Mr. PICKERSGILL: Certainly all interested parties.

Mr. HORNER (*Acadia*): I thank you for this, because the question has caused some anxiety. I have two or three more questions if the committee will permit me to ask them.

The CHAIRMAN: Please continue.

Mr. HORNER (*Acadia*): In your Winnipeg speech you suggested that some other system of transportation would have to be evolved between the farmer and the main line elevators. Do you envisage that the elevator companies and the farmer may buy those 60 to 70 mile rail lines and operate shunting car system with medium sized diesels, or with farm tractors running on the rails? Has this entered into your future outlook at all?

Mr. GORDON: I have nothing more to add to my Winnipeg speech. That speech was not intended to, nor did it, make any specific proposals. I simply said that I was making some suggestions on the whole matter. I said that grain movement should be examined by all interested parties so that all the factors involved in the question might be considered. I said that out of a properly co-ordinated discussion a better system might emerge. I said that by taking advantage of new technologies and new ideas, it would help the grain movement in this country, and would benefit the western farmer.

I did not indicate, and I did not make specific suggestions at all. I am not going to try to spell out a particular phase of it in terms of the railways only, because the railways are only one part of this whole question. The theme of my speech was that in order to deal with it intelligently, there ought to be co-ordinated means of discussing all the elements. That is the whole point of the speech.

Mr. HORNER (*Acadia*): I agree that this is the main theme of your speech, but I have asked you a question. Do you envisage the sale or the leasing of 60 to 70 miles of track which might otherwise become abandoned and which would ultimately be sold for salvage?

Mr. GORDON: I do not know. I could not answer that question at all because it could not be dealt with until it was part of the over-all plan.

Mr. HORNER (*Acadia*): In your outlook on the grain movement in operation you envisage the integration of trucking systems. I ask you to take a look at shunting cars and moving them out to the main line. Would this be feasible?

Mr. GORDON: I do not know.

Mr. HORNER (*Acadia*): Would you consider it permissive in good railway management?

Mr. GORDON: I am not going to express a view until the whole question has been studied along the lines I have mentioned. It is no use to pick an individual section of it, because we would just get confused.

Mr. HORNER (*Acadia*): I see that Mr. Fisher has succeeded in "clamming up" the witness with his oration. But I would stress that this is a matter of vital importance on the prairies, where every farmer and elevator company are concerned. You are going to hear a lot more about wheat and rail line abandonment down here as well as elsewhere, and I do not care how many times it is repeated. Now, have you any idea of what you consider to be the maximum elevator size for this grain movement?

Mr. GORDON: I am not an expert in the matter of the sizes of elevators.

Mr. HORNER (*Acadia*): But you said the elevators were too small.

Mr. GORDON: I said that is typical of the kind of question that should be looked into.

Mr. HORNER (*Acadia*): You said that the elevators were too small now to permit low cost operation. What would you say should be the maximum size of an elevator?

Mr. GORDON: I do not know.

Mr. HORNER (*Acadia*): I think this is a very pertinent question. Only two weeks ago I attended the opening ceremony at a brand new elevator, and it was not a particularly big elevator.

Mr. GORDON: All I did was to express the view that the question of the size of elevators might be profitably looked into. It may be that with new technologies and so on there could be a better system devised. I have not said what I think is the best system and I do not intend to say it.

Mr. HORNER (*Acadia*): Do you not think in criticizing grain movement—since you are the chief of a major hauler of grain on the prairies—that you could profit from the learned advice of the elevator companies, who are now building elevators across the prairies, on what the maximum size should be for low cost operation?

Mr. GORDON: In the last paragraph of my speech I said:

I hope that by exposing frankly the need for co-ordinated action I have made some personal contribution towards this end.

It is much easier to state a problem than it is to solve it. That is all I am saying. I am saying that in the interest of the western farmer everybody connected with this problem should get together and have a damn good talk about it and listen to everybody's ideas for the purpose of finding a co-ordinated solution. Just because I mentioned elevators does not mean that I claim to have knowledge of the best way to run an elevator. All I say is this: Have a look at it. It may be that you are not up to date. It may be that economic skills could be brought into play more effectively and so on. So why not take a look at it?

Mr. HORNER (*Acadia*): There has been too much fanfare about the proposed abandonment of thin-density lines. I do not think that they are thin-density lines. I think the Canadian Pacific and the Canadian National are making a mistake about it, and that the matter has not been studied sufficiently.

Mr. GORDON: Nobody will prevent you from expressing your opinion. Go ahead and do so.

Mr. HORNER (*Acadia*): I would now like to ask you about rail line operating charges. Could you give me some figures?

Mr. GORDON: I could give you some figures, but I do not see how it is pertinent.

Mr. HORNER (*Acadia*): It is certainly pertinent to me on the prairies.

Mr. GORDON: What figure do you want?

Mr. HORNER (*Acadia*): I would like to have some idea of what the Canadian National feels is the maintenance cost per mile where there is thin-density traffic.

Mr. GORDON: What figure have we got?

Mr. TOOLE: I can give you a figure.

Mr. GORDON: Suppose you try, Mr. Toole.

Mr. TOOLE: We have an average figure which, you must remember, is an average for all the west. There could be radical differences between one area and another, depending on the number of bridges and culverts in it. But on the average, the cost per mile to maintain tracks in the west is about \$3,000 per annum.

Mr. HORNER (*Acadia*): You say it is about \$3,000 per annum?

Mr. TOOLE: Yes.

Mr. HORNER (*Acadia*): Just to maintain it?

Mr. TOOLE: That is right.

Mr. HORNER (*Acadia*): Looking at the royal commission report, volume III, you have a figure there at page 230 which looks like \$866 per mile. I might be wrongly interpreting this figure, but could you give me an idea about it?

Mr. TOOLE: I cannot comment on it at the moment.

Mr. HORNER (*Acadia*): I have one other question with regard to train movements. I questioned you concerning the elevator on Vancouver island at Victoria and the shunting of cars across to it by boat. How much longer is the agreement to run between the Canadian National and the elevator company?

Mr. TOOLE: I do not know which one it is.

Mr. HORNER (*Acadia*): You do not know how much longer it will be?

Mr. GORDON: I do not even know if there is an agreement on it. Is there one? Do you have in mind a specific agreement with an elevator company?

Mr. HORNER (*Acadia*): Yes.

Mr. GORDON: I do not recollect it.

Mr. HORNER (*Acadia*): Then you are doing this just gratuitously?

Mr. GORDON: Just as a matter of service.

Mr. HORNER (*Acadia*): You are doing it just as a matter of service?

Mr. GORDON: Yes.

Mr. HORNER (*Acadia*): You are loading a full freight train on a vessel and carrying it across with grain to Vancouver Island.

Mr. GORDON: The wheat board directs where they want the grain to go, and we provide the services to haul it as required.

Mr. HORNER (*Acadia*): I am looking at this from the point of view of a prairie farmer, and from the point of view of a person who realizes what a drastic upheaval the branch line abandonment proposed by you and the Canadian Pacific would bring to the prairies. It seems to me that a measure of economy could be exercised. Certainly there must be some way. Would you suggest that it would be better to have a co-operative effort on the part of the grain companies to build large terminals, or to have the harbour board enlarge the port facilities on Vancouver Island? Would this not prove to be an economy in grain movement?

Mr. GORDON: I have not studied the question from that point of view. I do not think it lies in my mouth to say what the wheat board or the elevators should do.

Mr. HORNER (*Acadia*): This is all under "outlook" and the grain movement. You are proposing great changes on the prairies which I do not think you can justify here, and I point out something which is very obvious to anybody who has any knowledge at all of transportation. Yet you say you are blind to it. You have closed your eyes to it, and you are not looking at it. That is simply ridiculous. I notice it is now ten thirty. I shall hold my other questions at this time.

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, the western members are highly interested in western problems. In our province, we grow potatoes, carrots and cabbages. Those products are not the same and they are transported by railroad to a lesser extent. However, we have a problem which was dealt with last year, precisely under the chapter which we call Outlook. It is the problem of bilingualism within the Canadian National. During five or six minutes, I would like to ask a few questions on this matter. Mr. Gordon, I believe that since you last



appeared before this committee, an additional vice-president was appointed with the Canadian National. He is a French-Canadian, Mr. Delagrave, I believe.

(Text)

Mr. GORDON: Yes.

(Translation)

Mr. GRÉGOIRE: What is at present the total number of members of the board of directors of the Canadian National?

(Text)

Mr. GORDON: Well, there are 12, as shown on this black sheet here.

Mr. GRÉGOIRE: Mr. Gordon, what you call in English "the board of directors", we call in French "conseil d'administration". What you call "executive" in English is "la direction" in French; it is not the same in both languages. Then, according to the translation, what I wish to say would rather be called "la direction", the board of administrators, not of directors.

(Text)

Mr. GORDON: Are you referring to those shown on page 17?

Mr. GRÉGOIRE: Yes.

Mr. GORDON: And what is your question?

(Translation)

Mr. GRÉGOIRE: When you appeared before us two years ago, you had a list of the members of the executive which did not include all those names, but was composed of the president, the vice-presidents and the secretary. Since then, you added all those names to the list of "directors" of the company which we had two years ago?

(Text)

Mr. GORDON: I am afraid that I cannot follow your question.

Mr. VAUGHAN: Two years ago following the questioning we did submit, I think, to the committee a list of the positions. Is that what you refer to?

Mr. GRÉGOIRE: It is what you call a selection.

(Translation)

There was the president and seventeen vice-presidents who made up what you refer to as the executive and general officers of the Canadian National. But today I see that the Canadian National comprises a lot more people than the president and the seventeen vice-presidents who were there before. Does this mean that the number of members has increased that much?

(Text)

Mr. VAUGHAN: I think that Mr. Grégoire is referring to the annual report of that time. This list here shows many more names than appeared at that time. The report that you referred to at that time, and the list, merely dealt with headquarters' officers, regional officers, and vice-presidents. But this list here endeavours to take into account the new reorganization structure of the railway.

You must keep in mind the fact that there are regions such as the St. Lawrence Region, Atlantic Region, the Great Lakes Region, the Prairie Region and the Mountain Region.

(Translation)

Mr. GRÉGOIRE: Now when you hold a meeting, not of the board of directors but of the executive officers, that is of the executive, do all the officers shown on page 17 attend?

(Text)

Mr. GORDON: No. This depends upon the circumstances. We do not call together officers of the whole railway to deal with specific matters. This would depend on what the situation was. If the matter involved affects the St. Lawrence Region, for example, we would discuss it with the officers of that region. We have a system whereby several times a year we call in all the Vice-Presidents and have a general discussion about company policy and particular outlook. Then we call in the Regional Vice-Presidents from the Atlantic Region, the St. Lawrence Region, the Great Lakes Region, the Prairie Region and the Mountain Region, and together we have a conference. That conference might be held in Montreal, Winnipeg or anywhere.

(Translation)

Mr. GRÉGOIRE: When you get together to discuss the general problems of the Canadian National do all the people listed here attend, or only the president and vice-presidents of the company?

(Text)

Mr. GORDON: When it is a general conference, yes. We do have meetings on other bases at which we would only have the headquarters staff. The headquarters vice-presidents may come together at different times.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, last year you submitted a brief,—I have a copy here,—dealing with the objectives of the Canadian National with regard to the French-speaking staff of the company. On page 2 of the French version, you mentioned the fact that you wanted to get more competent French-speaking Canadians interested in the positions offered by the Canadian National. Since you were here last, could you tell us approximately how many promotions there have been, or how many new employees have been taken on for important position within the Canadian National?

(Text)

Mr. GORDON: Where is the chart?

Mr. GRÉGOIRE: That is on page 2 in the French version.

Mr. GORDON: Mind you, we were here only last December which is six months ago and that is not a very long time. As I said before, our general approach is directed toward the question of how best to recognize the equality of the two official languages to meet the needs of the Canadian public and as well to ascertain how French Canadians can best realize their legitimate ambitions to play a role in the company based on equality of opportunity and accomplishment. Since the time I last spoke to you we have been working quietly in the pursuit of that policy but, as you know, it takes time to do these things and work this out. We have a general summary here in regard to the point that you mentioned which gives some indication of the situation.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, I am not talking about that yet. I simply want to know approximately how many French-speaking Canadians were promoted or obtained senior positions in the past six months?

(Text)

Mr. GORDON: From January 1, 1963 to March, 1964 I can give you the figures. Fifty-six per cent of French Canadians holding positions in our senior management have received promotions, appointments or transfers. At the level immediately below it, which we call our upper middle management level, 34 per cent of French Canadians received either promotions, appointments or transfers.

Mr. GRÉGOIRE: Fifty-six per cent at the higher level and 34 per cent at the lower level received promotions, appointments or transfers?

Mr. GORDON: That is right.

(Translation)

Mr. GRÉGOIRE: Mr. Gordon, is all the printed matter, are all the folders or circulars of the Canadian National now printed in both languages?

(Text)

Mr. GORDON: Yes.

(Translation)

Mr. GRÉGOIRE: Now, another question. In your brief you mentioned, in section 2 (b), a program for recruiting French-speaking graduates and university students which has been in operation since 1963. Have you the approximate figure of the number of people you have recruited among the French-speaking graduates and university students during the past year?

(Text)

Mr. GORDON: As a result of the on-campus interviews conducted by the Canadian National Railways under our formal university recruitment program ten French Canadian graduates accepted work with the Canadian National Railways. That incidentally is 23 per cent of the total graduates hired for permanent employment with the C.N.R. in 1963. In 1964, this year, of on-campus interviews six French Canadian graduates accepted work, which represents 26 per cent of the total graduates hired for permanent employment all across the country.

(Translation)

Mr. GRÉGOIRE: In the following paragraph, that is, in paragraph (2): you mention that practical courses in languages have been given for some time to a limited number of the company's employees. Are these language courses given to the French employees so that they can learn English and to the English employees so that they can learn French?

(Text)

Mr. GORDON: We are almost completed and we started in November, 1963.

(Translation)

Mr. GRÉGOIRE: To the English-speaking employees so that they can learn French.

(Text)

Mr. GORDON: In respect of the reverse, that is French into English, I do not think we have got that worked out but we have it well in hand.

Mr. VAUGHAN: Mr. Grégoire, we have just finished installing the language laboratory with machines, tapes and so on and we are now in the process of organizing the other English instruction programs.

(Translation)

Mr. GRÉGOIRE: One last question, Mr. Gordon, which ties in with several remarks made while you were reading your brief last year, when you mentioned, for instance, that the reorganization created an unprecedented situation because it enabled French-Canadians to take senior positions in the province of Quebec, and you specified in the province of Quebec at that time, and on another occasion you mentioned: "It is expected that several thousand employees of the bilingual areas of Canada will be able to take advantage of this training", and elsewhere you mentioned "applications to the Transport Board and documents pertaining thereto are now being prepared in the two languages for the muni-



icipal councils dealing with public services, when such applications concern a municipality in the province of Quebec". Now does this work for the purpose of "biculturalizing" or "bilingualizing" the Canadian National, according to the three passages I have just quoted, only apply to bilingual areas of Canada or to the province of Québec, or to the entire country?

(Text)

Mr. GORDON: For example, in filing documents with municipalities, which is one example you gave, we file them in two languages wherever there seems to be a need for doing so, but we do not make a practice of providing all documents in both languages all across Canada.

An hon. MEMBER: That would be ridiculous.

(Translation)

Mr. GRÉGOIRE: For example in towns in Alberta, or cities such as Edmonton, where English is mainly spoken but where there may be some French-speaking aldermen, and there are a number of cities, Windsor, Winnipeg, London, Sarnia, Moncton or Fredericton, do you intend to apply this practice to the entire country, in areas outside the province of Quebec or in areas that are not officially bilingual.

(Text)

Mr. GORDON: That works in this way. Our local officials are well aware that we are prepared to provide any document in both languages when there is a need. Our local official, therefore, is aware, when there may be a group of French speaking Canadians who would like to receive this in both languages, that he can provide it in bilingual form. We do not do that when there does not seem to be a demand for it.

(Translation)

Mr. GRÉGOIRE: Then I will put my question in another way. Let us suppose that forms have to be prepared for the town of Jonquière, in my riding, where 99% of the people are French-speaking, would such forms be automatically prepared in English and French or would they be prepared in French, and then in English only on request?

(Text)

Mr. VAUGHAN: That is right.

Mr. GORDON: Yes, that would be right.

(Translation)

Mr. GRÉGOIRE: So in some areas you only prepare them in French and in others only in English, but in general you try to prepare them in both languages?

(Text)

Mr. GORDON: Yes, that is correct.

(Translation)

Mr. GRÉGOIRE: Well that is all Mr. Gordon. Mr. Chairman, before finishing I would just like to tell Mr. Gordon that last year when Mr. Fisher asked me to move that he be congratulated, I agreed to congratulate him on the plan he suggested but I said that we would wait and see what results it would bring, that we considered the plan a very fine one but that we would wait and see what results it would bring before congratulating him unreservedly. From the questions we have asked Mr. Gordon and the answers he has given I think we can be satisfied with the work the Canadian National are doing in order to promote bilingualism in this Crown Corporation.

(Text)

The CHAIRMAN: Mr. Cadieu?

Some hon. MEMBERS: Carried.

Mr. CADIEU: Mr. Chairman, I am going to forego asking a lot of the questions I intended to ask because they have been covered by Mr. Horner in respect of rail line abandonment. In view of the explanation given by the minister and Mr. Gordon I feel we are going to have the opportunity of debating rail line abandonment before any further steps are taken.

I should like to ask a question to follow up one other situation. The Canadian National Railways did have a colonization development branch in respect of agriculture. Does it still maintain such an organization?

Mr. GORDON: Yes, we have it in our organization but not under that specific name. It has been blended in with our sales department.

Mr. VAUGHAN: Yes.

Mr. CADIEU: For many years this organization did a lot of work in respect of developing new branch lines. The colonization department interested many settlers in going to areas to develop farms and build farm homes on the basis of an indication by the Canadian National Railways that it would provide them with a railway. Do you not think that the Canadian National Railways is lax in respect of not completing those lines, and I refer, as an example, to the line between Frenchman Butte and Heinsburg, Alberta and for allowing these people to go in there to spend their lives building up homes, settlements and very fine farms? I might suggest the same thing in respect of the line between St. Walburg and Grand Centre, Alberta where the grade was put in but after settlers went in there to develop this country the steel was never laid? You are now coming up with a proposal for the abandonment of the Turtleford-Medstead-Shellbrook line. This will result in a lack of service to this whole area. I think the Canadian National have the responsibility for completing these gaps. I think these people were misled when they were made to feel they were going to be located on a rail line when they went in and settled this country. They built fine homes and worked their farms into good shape and now the Canadian National has not lived up to their promise. I think there has been some mismanagement involved here. The line was not able to pay because it was not, in fact, finished. It was impossible for the line to pay because, as I said, these gaps were not filled in.

I feel very strongly about this. However, I was pleased to some extent when you mentioned the other day you were willing to take another look at these gaps, and I hope you do.

There is one other question I would like to put. What is being done in respect of the co-operation between the two main lines, the Canadian National and Canadian Pacific, in respect of the running rights, which I feel has been detrimental to this country.

The CHAIRMAN: Shall the report carry?

Some hon. MEMBERS: Carried.

Mr. HORNER (*Acadia*): I have one question in respect of rail line abandonment. Have you applied for abandonment to the board of transport commissioners, and do they have to hear you even though there is legislation before the House of Commons?

Mr. GORDON: Technically, yes.

Mr. HORNER (*Acadia*): And they have to hear the Canadian Pacific as well?

Mr. GORDON: Yes, they have to. They have a statutory duty to do so. But, by agreement, we have filed these applications with a request to defer consideration. In other words, we have foregone our right to appear by filing the

application with a request to postpone and not deal with the application until the MacPherson commission legislation is enacted.

The CHAIRMAN: Shall the report carry?

Some hon. MEMBERS: Agreed.

Mr. HORNER (*Acadia*): I have one further question to put to the Minister of Transport. Do you see any error in this logic, that you bring the MacPherson commission report into the House of Commons, give it top priority over other legislation, let it come before this committee, and then let it go back to what you consider real top priority.

Mr. PICKERSGILL: I think maybe, Mr. Horner,—at least that is my opinion—we should be very cautious about this.

I never have said that this legislation had top priority. This is not my business in the cabinet. I had something to do with it last session but this session I am not one of the ministers that primarily decides. The Prime Minister and the leader of the house make the recommendations in respect of top priority.

I have insisted and I continue to insist that this is a very important legislation. But, I am only one member of the government. And, this government, like every other government, has to settle the order in which we bring our legislation forward. I cannot settle it. It is settled by the whole cabinet and, primarily, by the Prime Minister.

Mr. HORNER (*Acadia*): I think evidence before this committee bears out the fact that there are two very important pieces of legislation pending in respect of the well being of the economy. All I am asking is do you see anything wrong with the logic of bringing in the MacPherson royal commission report, giving it first and second reading, and then putting it in number one position over the flag, for instance?

An hon. MEMBER: Go on.

Mr. HORNER (*Acadia*): And, then come back to the flag issue while the committee is studying the MacPherson royal commission report.

Mr. PICKERSGILL: If we could do that by agreement and go through all those stages without any debate and bring it to the committee and have the debate here, I would be very much interested, but it is a question of time.

The CHAIRMAN: Order.

Will someone move the adoption of the report?

Mr. LLOYD: I so move.

Mr. MATTE: I second the motion.

Some hon. MEMBERS: Agreed.

Mr. LACHANCE: You are filibustering the flag.

Mr. HORNER (*Acadia*): Who is filibustering the flag? Because someone speaks in this committee for five minutes you think I am filibustering this committee.

Mr. LLOYD: I think all members should realize that they will have other opportunities to discuss the subject matter. I think the matters before us should be disposed of at this time, and then these other questions could be pursued.

The CHAIRMAN: The report has been carried.

Shall the Canadian National Railways capital and operating budget carry?

Some hon. MEMBERS: Carried.

The CHAIRMAN: Shall the auditor's report to parliament carry?

Some hon. MEMBERS: Carried.



The CHAIRMAN: Shall the annual report of the Canadian National Railways securities trust carry?

Some hon. MEMBERS: Carried.

Mr. RHÉAUME: Mr. Chairman, is there any possibility that we could get on with Trans-Canada Air Lines, say, on Monday morning. I would be prepared to so move.

The CHAIRMAN: It was my intention to proceed with that report on Monday morning at 10 o'clock, but there are very few, like me, who get here that early.

Mr. FISHER: Why not on Tuesday?

The CHAIRMAN: Monday would be better.

Mr. ROCK: Most members do not arrive here by 10 o'clock on Monday morning.

Mr. PICKERSGILL: If hon. members will bear with me, I cannot be here myself on Monday because I have made a previous engagement to be somewhere else on government business, but I would suggest that we meet at 4 o'clock on Monday afternoon.

Mr. RHÉAUME: I move that we hear Trans-Canada Air Lines on Monday afternoon at 4 p.m.

Mr. PICKERSGILL: I would like to state that Mr. McGregor told me there is a board of directors meeting on Friday of next week and I would hope the committee would bear that in mind. If the committee could not finish before Friday he would have to leave and then you would have to put it over until next week.

Mr. HORNER (*Acadia*): I am in agreement with that.

Some hon. MEMBER: Agreed.

—The committee adjourned.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE  
ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MONDAY, JUNE 22, 1964

TUESDAY, JUNE 23, 1964

Respecting  
Annual Report and Capital Budget  
TRANS-CANADA AIR LINES

WITNESSES:

The Honourable John Whitney Pickersgill, *Minister of Transport*; From *Trans-Canada Air Lines*: Messrs: G. R. McGregor, President, W. S. Harvey, Vice-President, Finance, J. L. Rood, Director of Flight Operations, R. C. MacInness, Director of Public Relations, D. W. Benson, Assistant Director, Passenger Service, A. J. Gauthier, Area Manager, Government and Public Relations.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

*Vice-Chairman:* James Brown, Esq.

and Messrs.

Addison	Godin	MacEwan
Armstrong	Granger	Mackasey
Balcer	Grégoire	Marcoux
Basford	Guay	Matte
Beaulé	Hahn	McBain
Béchar	Horner (2)	McNulty
Bell (3)	(Acadia)	Millar
Berger	Howe	Olson
Boulanger	(Wellington-Huron)	Orlikow
Cadieu	Irvine	Pascoe
Cameron (Nanaimo-Cowichan-The Islands)	Kennedy	Prittie
	Kindt	Rapp
Cantelon	Korchinski	Regan
Cantin	Lachance	Rhéaume
Cooper	Lamb	Rock
Cowan	Laniel	Ryan
Crossman	Latulippe	Southam
Crouse	Lessard	Stefanson (1)
Émard	(Saint-Henri)	Stenson
Fisher	Lloyd	Tucker—60.
Foy	Macdonald	

(Quorum 12)

Maxime Guitard,  
*Clerk of the Committee.*

- (1) Mr. Muir (*Lisgar*) replaced Mr. Stefanson, on June 22, 1964.
- (2) Mr. Nugent replaced Mr. Horner (*Acadia*), on June 22, 1964.
- (3) Mr. Pugh, replaced Mr. Bell, on June 22, 1964.



## ORDER OF REFERENCE

MONDAY, June 22, 1964.

*Ordered*,—That the names of Messrs. Muir (*Lisgar*), Nugent, and Pugh be substituted for those of Messrs. Stefanson, Horner (*Acadia*), and Bell respectively on the Standing Committee on Railways, Canals and Telegraph Lines.

*Attest.*

LÉON-J. RAYMOND,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

MONDAY, June 22, 1964.  
(10)

The Standing Committee on Railways, Canals and Telegraph Lines met at 4:04 o'clock p.m. this day. The Chairman, Mr. Richard, presided.

*Members present:* Messrs. Basford, Berger, Cadieu, Cantelon, Cantin, Cooper, Crossman, Crouse, Fisher, Grégoire, Hahn, Irvine, Lachance, Lamb, Lloyd, Macdonald, MacEwan, Marcoux, Matte, McBain, McNulty, Muir (*Lisgar*), Nugent, Pascoe, Prittie, Pugh, Rhéaume, Richard, Rock, Stenson, Tucker (31).

*Also present:* The Honourable John Whitney Pickersgill, Minister of Transport.

*In attendance:* From Trans-Canada Air Lines: Messrs. G. R. McGregor, President, W. S. Harvey, Vice-President, Finance, J. L. Rood, Director of Flight Operations, R. C. MacInnes, Director of Public Relations, D. W. Benson, Assistant Director, Passenger Service, A. J. Gauthier, Area Manager, Government and Public Relations.

The Chairman welcomed the Officials from Trans-Canada Air Lines, especially Mr. G. R. McGregor, President, whom he invited to read the 1963 T.C.A. Annual Report. However, the Committee agreed to dispense Mr. McGregor from reading the Annual Report but on the contrary proceeded on a section by section questioning.

The following sections were carried unanimously; namely: "Financial" and "Insurance Reserve Fund".

Then Mr. Nugent asked the Minister of Transport to table the Trans-Canada Air Lines Contract. The Minister undertook to do so.

On section intituled "Service and Traffic Growth", at 5:55 o'clock p.m. the Committee adjourned until 8:00 o'clock p.m. this evening.

## EVENING SITTING

(11)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 8:05 o'clock p.m. this evening. The Chairman, Mr. Richard, presided.

*Members present:* Messrs. Basford, Berger, Cantelon, Cantin, Crouse, Fisher, Granger, Guay, Hahn, Irvine, Lachance, MacEwan, Marcoux, Matte, Muir (*Lisgar*), Pascoe, Prittie, Rhéaume, Richard, Rock, Stenson, Tucker (22).

*In attendance:* The same as at this afternoon's sitting.

The Committee resumed consideration of the 1963 Trans-Canada Air Lines Annual Report.



Section intituled "Service and Traffic Growth" was carried unanimously.

And the examination of the witnesses continuing, at 10:30 o'clock p.m. the Committee adjourned until 10:00 o'clock a.m. tomorrow.

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*(Please note, that all the evidence adduced in French and translated into English, for the sitting of June 22, 1964, afternoon sitting, was recorded by an electronic recording apparatus pursuant to a recommendation contained in the Seventh Report of the Special committee on Procedure and Organization, presented and concurred in, on May 20, 1964.)*

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TUESDAY, June 23, 1964.

(12)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:07 o'clock a.m. this day. The Chairman, Mr. Richard, presided.

*Members present:* Messrs. Balcer, Basford, Beaulé, Béchard, Berger, Brown, Cantelon, Cowan, Crossman, Fisher, Granger, Grégoire, Guay, Hahn, Kindt, MacEwan, Marcoux, McBain, McNulty, Muir (*Lisgar*), Orlikow, Pascoe, Prittie, Rapp, Rhéaume, Richard, Rock and Tucker. (28)

*In attendance:* From Trans-Canada Air Lines: Messrs. G. R. McGregor, President, W. S. Harvey, Vice-President, Finance, J. L. Rood, Director of Flight Operations, R. C. MacInnes, Director of Public Relations, A. J. Gauthier, Area Manager, Government and Public Relations, D. W. Benson, Assistant Director, Passenger Service.

The Committee resumed consideration of the 1963 Trans-Canada Air Lines Annual Report.

Sections intituled "Equipment and Facilities", "Personnel", and "Outlook" were carried unanimously.

The complete 1963 Trans-Canada Air Lines Annual Report was carried unanimously.

The following were also carried unanimously; namely: The Trans-Canada Air Lines Auditor's Report to Parliament for the year ended on December 31, 1963 and the Trans-Canada Air Lines Capital Budget 1964.

Mr. Rhéaume suggested that a statement made by the Honourable John Whitney Pickersgill, Minister of Transport, be inserted in the Report of the Committee to the House of Commons.

Mr. Berger moved, seconded unanimously, a vote of appreciation and thankfulness to Mr. G. R. McGregor, for his effort to promote bilingualism among the employees of the Crown Corporation of which he is the President.

The Chairman extended his thanks and those of the Committee to the Officials of both The Canadian National Railways and Trans-Canada Air Lines for their patience in answering all the questions posed to them by the members of the Committee.

At 12:38 o'clock p.m. the Committee adjourned to the call of the Chair.

Maxime Guitard,  
Clerk of the Committee.

(Text)

## EVIDENCE

MONDAY, June 22, 1964

The CHAIRMAN: Gentlemen, this afternoon we are taking up the report of Air Canada.

In attendance with us this afternoon is Mr. G. R. McGregor, president; Mr. W. S. Harvey, vice-president, finance; Mr. J. L. Rood, director of flight operations; Mr. A. J. Gauthier, area manager, government and public relations, and Mr. R. C. MacInnes, director of public relations, who is not here yet but is expected later.

Mr. McGregor, on behalf of this committee I welcome you and in order to save time I would ask you to read the report which you have submitted to this committee so that we can consider it.

Mr. G. R. MCGREGOR (*President, Trans-Canada Air Lines*): Thank you, Mr. Chairman.

I would like to indulge in a little preamble beforehand, if I may, and say there obviously will be repetition and confusion in respect of the name of the company. At the moment I perhaps could explain what the situation is as of now. A private member's bill, No. C-2, was passed in the House of Commons. To a certain extent it was amended in the Senate and then approved by the Senate, and eventually given royal assent, with the stipulation in the bill that its effectiveness would depend on proclamation. So, the bill presently, as I understand it, is law but not yet proclaimed. The suggested date for proclamation is January 1, 1965.

There are quite a few legal activities to be indulged in before the name can be changed officially. Such things have to be considered as our route licences issued by foreign government air authorities. They have to have a specific date on which the official name changes. If anyone uses, or reference is made to, the names Air Canada or TCA or Trans-Canada Air Lines we all will realize that we are speaking about the same corporation.

Another thing I want to say before I begin reading the report is that I am exceedingly grateful to the committee for agreeing to sit today. I find myself with a need to be at a board of directors meeting in Vancouver not many days hence and I am grateful we can start today.

The report is dated February 7, 1964, and is addressed to the Minister of Transport. It reads as follows:

### ANNUAL REPORT

February 7, 1964

To the Honourable the Minister of Transport, Ottawa

Sir: The Board of Directors submit the annual report of the Trans-Canada Air Lines system for the year 1963.

This was a period of contrasts, marked not only by strengthened economic position but also, near the close of the year, by major tragedy.

#### *Financial*

In 1963 T.C.A. emerged from a three-year period of deficit with a net income of \$527,875. Earnings before interest expense amounted to \$12,146,388 and represented a return on investment of 4½ percent compared to 3½ per cent in the previous year.

Four principal factors contributed to this recovery:

higher revenue yields per passenger mile resulting mainly from tariff action in the previous year; a modest increase in the volume of scheduled passenger traffic; a greatly expanded volume of Atlantic charter traffic following increased T.C.A. participation in this market; further unit cost reductions derived from the higher proportion of total transportation provided by DC-8 aircraft.

Offsetting these to a small degree was a decline in the system passenger load factor on scheduled services from 60 per cent to 59 per cent.

The system average revenue per passenger mile rose 3 per cent to 6.21¢ as tariff revisions introduced during the previous year were in effect for all of 1963. In March a revised family plan tariff for first class travel in North America was introduced. While this tended to lower yields per passenger mile it increased the volume of first class traffic and improved the first class passenger load factor. Canada-Caribbean fares were adjusted in April in accordance with International Air Transport Association agreements. This contributed to better yields on southern services.

Mr. GRÉGOIRE: Mr. Chairman, I think everyone received a copy of this annual report approximately one or two months ago. I am sure that everyone has read it and I think that everyone would be agreeable to dispense with the complete reading of it by Mr. McGregor. I am sure this would hasten the work of the committee and would enable it to do its work. As I am sure that everyone has read it I would move that we dispense with the reading of it.

The CHAIRMAN: I do not know what the feeling is of the other members of the committee. It has been the practice to read it. But, if it is the general feeling of the committee not to read it I am in your hands in this connection.

Some hon. MEMBERS: Dispense.

The CHAIRMAN: Well, if you do not object, Mr. McGregor.

Mr. MCGREGOR: I certainly do not.

The CHAIRMAN: That is fine. Is it agreed that the report be taken as read?

Some hon. MEMBERS: Agreed.

Mr. MCGREGOR: The report is as follows:

Passenger traffic on scheduled services was 3 per cent above the previous year. Total passenger volume on scheduled and charter operations combined grew 9 per cent, the growth being mainly provided by Atlantic charter traffic which increased nearly eightfold and represented almost one-third of total Atlantic passenger travel.

North American passenger growth was less than 2 per cent, with expansion in the latter part of the year overcoming earlier declines. The high-volume transcontinental routes recorded virtually no change from last year. There were declines on some short-haul routes. The only area of dramatic passenger growth on scheduled services was on the Bermuda and Caribbean routes where traffic increased 31 per cent.

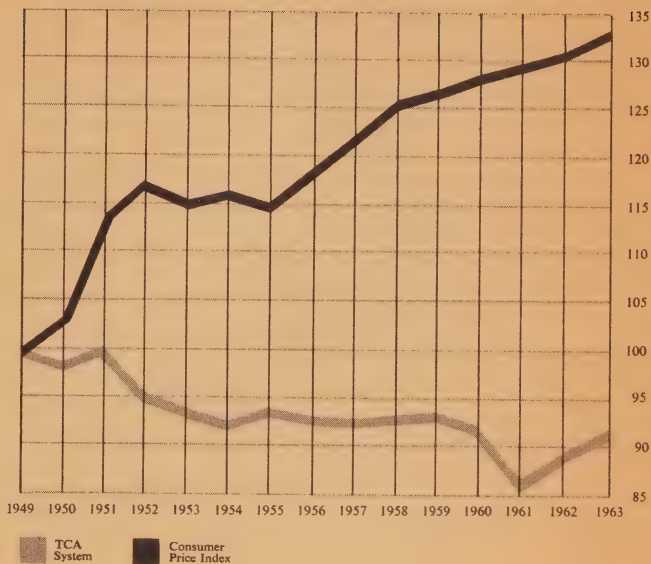
System air freight traffic increased 22 per cent. Rapid growth occurred on the Atlantic where DC-8 freighter service was introduced in the early part of the year. Air express volume advanced 7 per cent and air mail 8 per cent.

The interaction of these yields and growths resulted in total revenues reaching \$199,390,290, an increase of 9 per cent over the previous year.

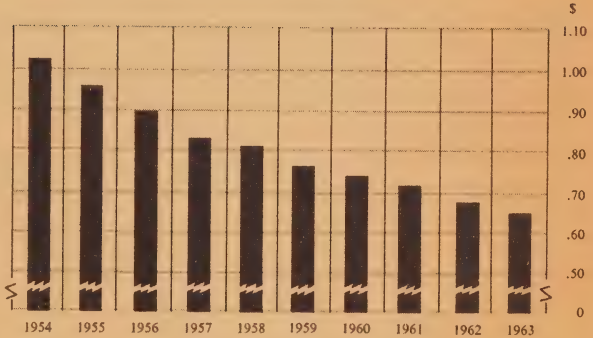
Unit costs recorded further significant improvement in 1963. Operating expense per available ton mile dropped from 29.67¢ to 28.15¢, and total expense from 31.52¢ to 29.75¢. The chart on page 14 indicates the substantial reduction achieved in unit costs over the past ten years—over 30 per cent



Index of  
T.C.A. Average  
Passenger  
Revenue  
Yield vs.  
Consumer  
Price Index  
1949-1963  
(Year 1949 = 100)



Average Return  
Per Mail  
Ton Mile —  
North American  
1954-1963



below 1954 levels. This is particularly noteworthy in view of the extensive service provided on short-haul routes of low traffic density where costs are significantly higher.

Expanded DC-8 and Vanguard flying led to an improvement of 18 per cent in fleet productivity to 3,744 available ton miles per aircraft hour. This productivity was subdivided by aircraft types as follows:

	Available Ton Miles Per Aircraft Hour
Viscount .....	1,200
Vanguard .....	3,858
DC-8 .....	9,082

This improved fleet productivity was combined with a slight decrease in staff to bring about an increase in employee productivity of 16 per cent.

Capital expenditures in 1963, as in the past, were within the authorized budget and amounted to \$28,800,000. This total consisted mainly of final payments on four DC-8 aircraft, progress payments on another, and initial payments on six DC-9 aircraft. The expenditures were entirely financed from Company resources and required no additional borrowings. As a result, the outstanding debt was unchanged from the 1962 year-end level and interest charges for 1963 increased by a relatively small amount.

Depreciation rose 13 per cent, principally reflecting the additional investment in flight equipment. The Company continued to depreciate its aircraft, ground equipment and buildings in the same manner and at the same rates as in recent years. This procedure provides for the systematic write-off of each asset over its estimated useful service life, down to a residual value. Such practice is common throughout the airline industry.

#### *Insurance Reserve/Fund*

A major DC-8 accident in the month of November seriously affected the Company's self-insurance reserve. The write-off of the book value of this aircraft depleted the reserve by \$7,114,000. Accruals to the reserve in 1963 totalled \$3,950,000, being an estimate of the premium expense of outside underwriting. The year-end balance of \$5,982,000 reflects these transactions.

A second DC-8 was extensively damaged at London, England, and further charges arising from both accidents could conceivably reach \$7,200,000. It is anticipated that the year-end balance, together with accruals made during 1964, will be sufficient to meet these added charges. Therefore it is not expected that the fund will be put into a deficit position as a result of these accidents. However, unless it is possible to increase the annual accrual to an amount greater than the estimated premium cost of outside insurance, the fund will not attain for several years the \$10 million level established by the Board of Directors.

#### *Service and Traffic Growth*

The 3,883,590 passengers carried on scheduled services by T.C.A. in 1963 represented only a slight increase from the previous year's total, but because of a longer average journey, revenue passenger miles rose by 3 per cent. While this could be regarded as a healthy growth, it was, nevertheless, a substantial decline from the 7 per cent increase in passenger traffic recorded in 1962 and lends support to the Company's conviction that dramatic annual increases in domestic air travel can no longer be counted upon and that in future years variations in air transportation volume will be much more directly linked to the general condition of the nation's economy.

To accommodate the additional traffic 5 per cent more seat miles were made available. This too represented a marked contrast with the preceding year when passenger capacity rose by 14 per cent.

There was a very substantial growth of air freight traffic, 32,000,000 ton miles being flown, an increase of 22 per cent. Air express traffic rose 7 per cent to 3,800,000 ton miles. This gratifying trend was due to a variety of factors, including more cargo capacity on jet aircraft, the efforts by government and by industry to win new export markets for Canada, the lifting of Canadian import surcharges and the concentrated air freight sales program conducted by the airline.

DC-8 aircraft in mixed passenger/cargo configuration joined the standard DC-8s on the trans-Atlantic route and in October scheduled jet freight service was inaugurated between Montreal, Toronto, Winnipeg, Edmonton and Vancouver with each flight capable of carrying up to 45,000 pounds of cargo. These developments made possible a through jet freighter service between Vancouver and London three days a week, providing Western Canada with one-day transportation to and from the United Kingdom.

In terms of total traffic, revenue ton miles increased by 10 per cent while available ton miles rose by 13 per cent.

The quality of the transportation service offered by the airline was improved by greater use of jet equipment and by the substitution of the larger and faster propeller turbine Vanguards for Viscounts on some routes. In the summer months five transcontinental jet flights were operated daily while on the Atlantic 26 such flights were scheduled weekly providing more than 3,400 seats in each direction.

TCA recognizes that the ultimate test of the quality of its service is the extent to which it satisfies the public. Because of this fundamental interest the Company continued to devote time and money to a quality measurement program that has been in effect for fifteen years. Involved were periodic passenger opinion surveys and a methodical and objective sampling of service quality in such areas of primary customer concern as reservations, ticket and airport counters, operating regularity, aircraft and cabin servicing, promptness of baggage delivery and air freight service. Very high standards are used in quality evaluation and the findings are employed by management to determine the service areas on which supervisory attention should be concentrated.

In 1963 TCA marked its twentieth year of Trans-Atlantic service and its fifteenth year of operations to the Caribbean, providing record capacity and carrying record traffic totals on both routes.

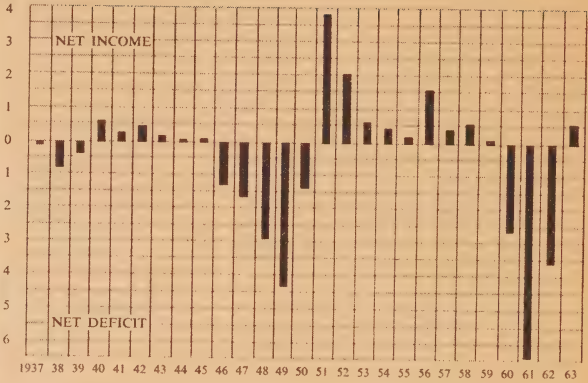
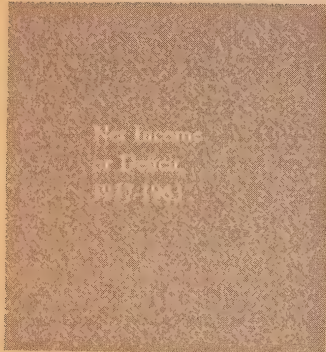
Because of the inability of the airports at Brandon, Yorkton, Swift Current and Medicine Hat to accommodate Viscount aircraft, the smallest in T.C.A.'s turbine fleet, it became necessary for the airline to withdraw its service from those communities. A transfer of the operation to TransAir was, however, negotiated with the approval of the federal authorities and that company commenced operations on April 15. At the time T.C.A. disposed of its two remaining DC-3s, bringing to an end its operation of piston engined aircraft.

In September, Viscount service was inaugurated at Trois-Rivières on the Montreal-Quebec City route.

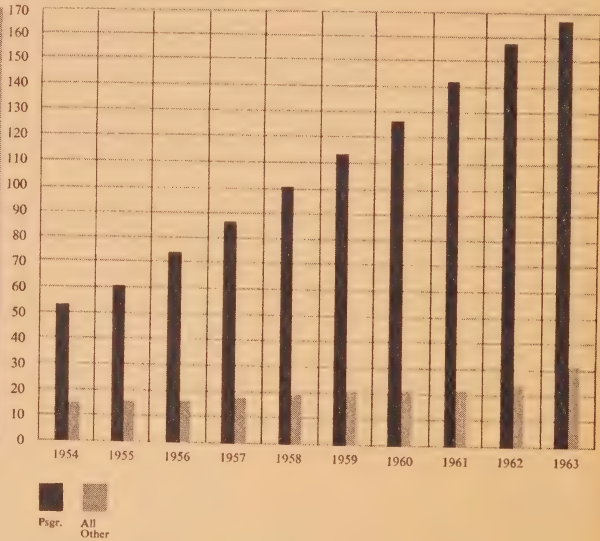
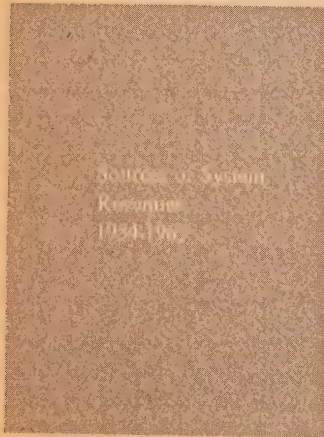
Throughout the year sales efforts were intensive. T.C.A. conducted, for the purpose of increasing air travel from Canada to the United Kingdom and Continental Europe, a major stimulative advertising campaign with satisfactory results. The quality of the promotional effort remained high with T.C.A. being named the top Canadian transportation advertiser for 1963. A company film was judged to be the best Canadian travel film of the year in the Canadian Tourist Association's film contest.



MILLIONS OF DOLLARS



MILLIONS OF DOLLARS



Continued cooperation with the Canadian postal service produced in 1963 a new record volume of domestic air mail, with further improvement in the high standard of service accorded this priority traffic. The rise in domestic mail to 11,300,000 ton miles during the year had also the planned effect of lowering the unit cost to the Post Office Department from a yearly average of 68c. per ton mile in 1962 to 65c. per ton mile in 1963. The agreement which has produced, year after year, this healthy relationship between volume and unit cost, has been in effect now for thirteen years without any change in the basic formula. It is unique and responsible in large measure for the fact that Canadians enjoy the highest standard of air mail service in the world at lowest cost.

Record volumes of air mail were also transported on international routes. Agreements were completed with three foreign airlines for reciprocal transportation of national mail on bilateral routes. These foreign airlines have undertaken to carry air mail of Canadian origin to their countries on T.C.A.'s behalf while T.C.A. in return carries their national air mail to Canada under the same terms and conditions. Experience in 1963 has shown that these arrangements, the first of their kind in international civil aviation, are not only mutually beneficial to the airlines concerned, but have brought about significant improvement in the quality of international air mail service.

At International Air Transport Association conferences T.C.A. played a leading role in efforts to reduce North Atlantic fares. This endeavour has met with a considerable degree of success and the Company is convinced that if it had not been for the stand it took, sometimes alone among the international carriers, the fares probably to become effective April 1, 1964 would be at a higher level.

In general, the domestic passenger fare structure was static. Unhappily, the problem of the transcontinental fare differential between T.C.A. and Canadian Pacific Airlines remained unresolved in spite of the best efforts of T.C.A. to arrive at a solution.

Air freight rates between Canada and the Caribbean were lowered three times during the year, providing special impetus to an already expanding market.

The continuation of the established commercial agreement with British Overseas Airways Corporation on the North Atlantic again proved economically sound and contributed to more effective scheduling and high standards of transportation service.

At the close of the year T.C.A., the ninth largest airline in the free world, was operating over 37,267 route miles linking Canada, the United States, the British Isles, Continental Europe and the Caribbean. This far flung route pattern is illustrated on pages 12 and 13.

### *Equipment and Facilities*

The T.C.A. fleet committed to line service at the close of 1963 consisted of 75 aircraft: 13 DC-8s, 22 Vanguards and 40 Viscounts. In addition, one DC-8 was under repair and six Viscounts were surplus. Two other Viscounts were sold during the year. The Company's flight equipment, all-turbine in nature, was well balanced and carefully selected to provide good service on the wide variety of long, medium and short haul operations called for by the route pattern. Delivery was taken of four more DC-8s. These were equipped with Pratt and Whitney fan engines and designed for great load flexibility either as all-cargo or all-passenger transports or in a combination of both.

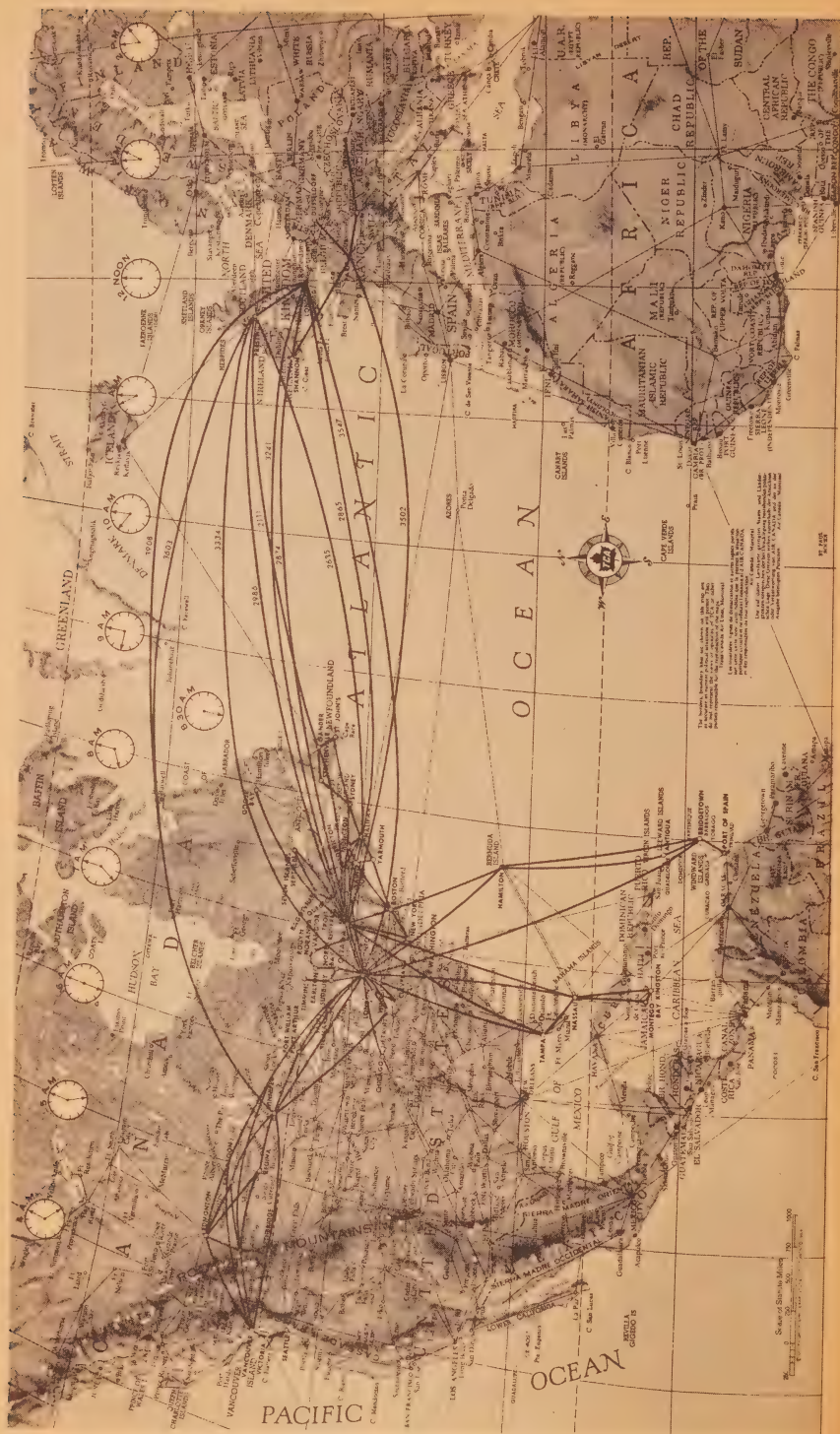
A catastrophic accident occurred on November 29 when a DC-8 crashed at Ste. Therese, Quebec, shortly after take-off from Dorval with the complete loss of life of the 111 passengers and seven crew members. The aircraft was totally





# ROUTES OF TRANS-CANADA AIR LINES

TCA SERVICES  
CONNECTING SERVICES

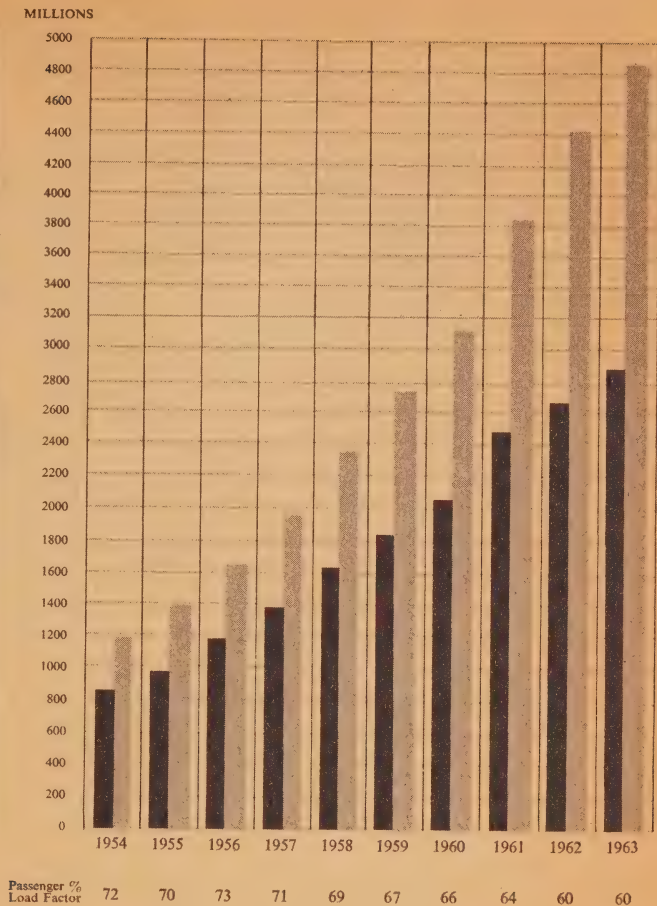




Available  
Seat Miles  
and Revenue  
Passenger  
Miles  
(Including Charter)  
1954-1963

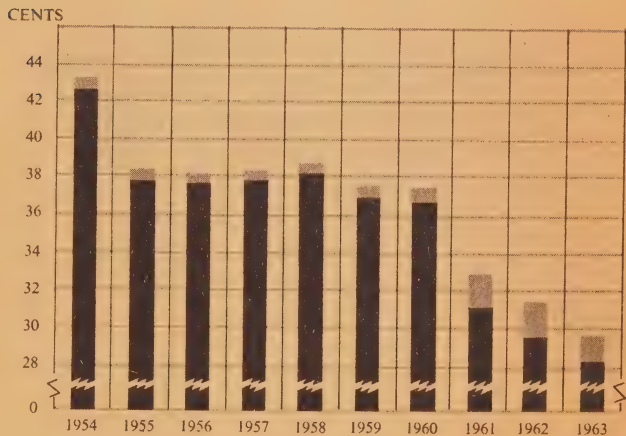
Revenue  
Passenger Miles

Available  
Seat Miles



Operating  
and Total  
Costs per  
Available  
Ton Mile  
1954-1963

Operating  
Cost



destroyed. This was T.C.A.'s first major accident with turbine powered aircraft in the eight years that it has operated such equipment.

Earlier in November another DC-8 was seriously damaged on take-off at London airport when it ran beyond the end of the runway and came to rest in a field. In this case there were no casualties and the aircraft was not damaged beyond economical repair.

There is no apparent relationship between the two accidents. The London occurrence was due to an aborted take-off, the reason for which has not yet been reported by the Government investigators involved. The Ste. Therese tragedy, on the other hand, apparently resulted from some catastrophic occurrence in flight. At London the aircraft involved was of the mixed passenger/cargo type, while at Ste. Therese the DC-8 was of an all-passenger configuration.

T.C.A. ended, later in 1963, an intensive two-year evaluation of all jet aircraft that could be considered as candidates to replace and to complement the propeller-turbine aircraft now in service on the short to medium range routes. This thorough technical study was given to five aircraft types which would be available for delivery in 1966, when required by the Company. All called for the engines to be mounted at the rear of the aircraft. Three types were twin-engined, while the others had three engines. On the completion of this analysis it was apparent that for T.C.A.'s specific requirements, the Douglas DC-9 twin jet aircraft enjoyed a substantial superiority. An initial order was placed for six of them, having a total value of not more than \$24,000,000.

The airline achieved the highest level of operating regularity in its history, its performance comparing very favourably with general industry standards. "On time" performance set new records of excellence. 99% of all scheduled mileage was completed.

All three types of turbine powered aircraft in the Company's fleet performed well and too much credit cannot be given to the airline's technical staff. The careful selection and care of its aircraft is T.C.A.'s primary consideration and responsibility. Indicative of the high calibre of the flight equipment and its maintenance was the further extension of the service life between overhauls of the Rolls Royce Dart engines of Viscount aircraft to 4,900 hours. This was by far the best service life achieved by an engine in the air transportation industry.

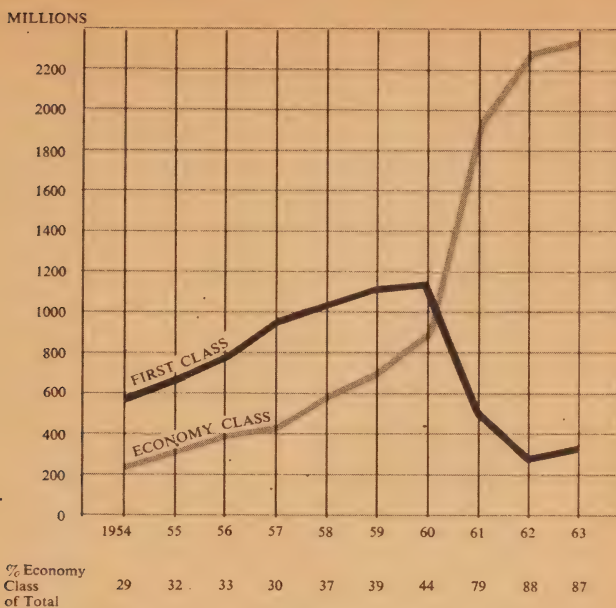
A new base was completed at Halifax in May to provide line maintenance for aircraft serving the Atlantic Provinces.

New and superior sales offices were opened in Winnipeg and in Montreal's Place Ville Marie. Other sales quarters were expanded and refurbished in a number of Canadian cities. In the British Isles attractive new offices opened in Glasgow and Dublin. Modest "off-line" quarters were established in Birmingham and Manchester to widen the Company's Overseas sales coverage.

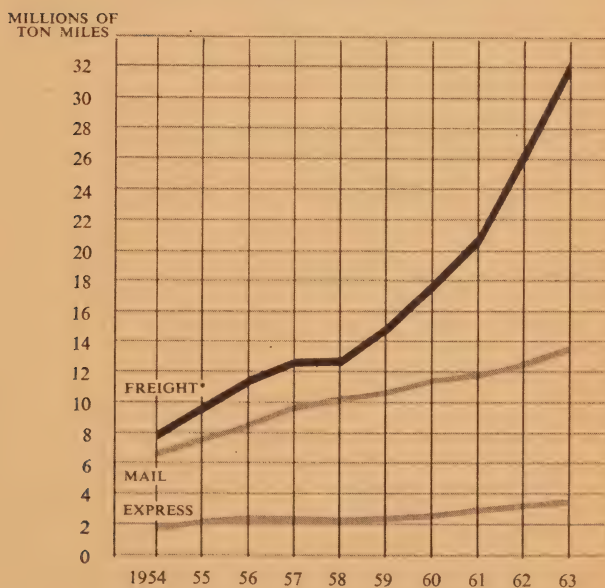
Because of the major program of airport terminal building construction by the Department of Transport, the Company's airport passenger handling facilities benefited tremendously at many points. Canada's airports are rapidly reaching a very high level of excellence because of the department's activities and clearly compare well with those of other nations. T.C.A. was again happy to associate itself with this work. Unfortunately, the problem of finding suitable airport accommodation at New York remained unresolved.

The new electronic reservations system, known as ReserVec, went into full operation. Passengers across Canada and in those areas of the United States served by T.C.A. are now able to obtain almost instantaneous confirmation of reservations requests. The new equipment was introduced with a minimum of complication and has largely eliminated reservations errors. ReserVec, designed and manufactured in Canada, is the most modern system of its kind in the world and a credit to Canadian technology.

### Revenue Passenger Miles by Class, 1954-1963



### Growth of Mail, Freight and Express Traffic, 1954-1963



\*Including Charter



### *Personnel*

T.C.A. employees at year-end numbered 11,330. The majority of these are highly qualified specialists in various fields of air transportation and together comprise a closely knit team with an invaluable accumulation of experience.

Negotiations with unions representing various groups of T.C.A. employees, while protracted in some cases, all ended in agreement and the airline added another year to its long history of trouble-free industrial relations.

One feature of the new agreement with the Canadian Air Line Flight Attendants Association was provision for a completely English/French bilingual Montreal base for stewardesses and pursers. This policy, to take effect early in 1965, will ensure that almost all domestic flights east of Toronto and flights to continental Europe will be completely staffed by bilingual flight attendants. Other steps were taken to encourage an increase of bilingualism throughout the airline, bearing in mind the Company's responsibility to provide a truly national service and to meet the requirements of international markets.

Mr. F. T. Wood, Vice-President of Corporate Services, and one of the airline's first employees, resigned to assume the chairmanship of the Canadian air transport board. His counsel will be missed, but the company is pleased that his wide experience is now available to the broad administration of Canadian aviation policy.

The performance of personnel was again characterized by hard work and efficiency and the airline's men and women remained its greatest asset.

### *Outlook*

Although replenishment of the insurance reserve will severely curtail net earnings for the next three years, in 1964 the company looks forward with confidence to another year of expanding service and growing economic strength. Domestic passenger traffic should increase at about the rate of growth of the gross national product, or between three and five per cent. It is hoped that there will be a marked growth of trans-Atlantic travel as a result of lower fares, even though these will reduce unit yields. The company, through its IATA membership, will continue to press in the future for inexpensive international air travel. The rapid increase in traffic to southern destinations gives promise of further major improvement.

The potential for air cargo is very great and every effort will be made to develop this business both at home and abroad.

Given the currently forecast increase in traffic and the reduction of unit operating costs for which the airline will strive, a profit can be anticipated again in 1964.

Flight frequencies and schedules will be tailored to the increasing demand for air transportation. The company is well equipped with aircraft for this purpose and will, in 1964, take delivery of two additional DC-8s. Another Vanguard will also enter service.

No major route extensions are at present contemplated, although the company remains constantly alert to interesting possibilities and it is conceivable that this forecast could change, particularly if present hopes for a better bilateral air agreement between Canada and the United States are realized.

All necessary advance planning and preparation will be made for the introduction of the short to medium range twin jet DC-9 aircraft into service in approximately two years time. The technical staff will continue to evaluate new aircraft types, with special emphasis upon the supersonic equipment that will be available in about seven years. While this major technological development is being viewed by the industry with mixed feelings, it is however a fact

with which the airlines must contend. T.C.A. proposes to be very sure of its own position before any firm decisions are taken.

In a highly competitive international industry T.C.A. will endeavour to maintain the highest service standards, both at home and overseas. The company, now in its second quarter century, has grown far beyond the stature of a domestic carrier and is recognized as one of the world's major transportation organizations. As such it has an obligation to represent Canada well and this will be a common objective of management and personnel. As a major public utility the company is, above all, keenly aware of its duty to provide good service on as wide a scale as is economically practical and at the lowest possible price to its customers.

For the Directors,

G. R. MCGREGOR,  
*President.*

## BALANCE SHEET

as at December 31, 1963

## ASSETS

## CURRENT ASSETS

Cash .....	
Accounts receivable	
Government of Canada .....	\$ 2,277,684
General traffic .....	10,981,380
Other .....	7,799,793

Materials and supplies—at cost	
less obsolescence .....	
Other current assets .....	

## INSURANCE FUND

## CAPITAL ASSETS

Property and equipment—at cost	\$ 295,945,828
Less: Accumulated depreciation	88,629,005

Progress payments .....	\$ 207,316,823
	7,251,511

UNAMORTIZED AIRCRAFT INTRO-  
DUCTORY COSTS

	1,351,622
	<u>\$ 269,342,175</u>

## LIABILITIES

## CURRENT LIABILITIES

Accounts payable .....	\$ 3,059,248
Traffic balances payable to other	
air lines .....	6,851,810
Air travel plan deposits .....	1,782,875
Salaries and wages .....	1,205,572
Unearned transportation revenue	5,031,392
Interest payable .....	2,430,574

LOANS AND DEBENTURES—Cana-  
dian National Railways

Notes payable .....	\$ 55,371,000
Debentures .....	182,100,000

## INSURANCE RESERVE

## CAPITAL STOCK

Common stock—	
authorized 250,000 shares par	
value \$100 per share	
issued and fully paid, 50,000	
shares .....	5,981,829

## SURPLUS

Net income, year 1963 .....	5,000,000
	527,875

	<u>\$ 269,342,175</u>
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This is the balance sheet referred to in our report to the Minister of Transport dated February 7, 1964.

MCDONALD, CURRIE & CO.,  
CHARTERED ACCOUNTANTS,  
Auditors.

## NOTES:

1. Estimated maximum amount of future charges against Insurance Reserve arising from major accidents in 1963 .....\$ 7,200,000
2. Balance of payments for equipment on order ..... 36,000,000
3. Contingent liability for notes under discount with banks in connection with the Pay Later Plan ..... 1,939,000

W. S. HARVEY,

*Vice-President—Finance,  
and Comptroller.*

## STATEMENT OF INCOME

OPERATING REVENUES	1963	1962
Passenger .....	\$ 167,653,374	\$ 158,791,609
Express and freight .....	12,247,478	10,463,264
Mail .....	10,942,602	10,561,669
Excess baggage .....	897,568	888,825
Charter .....	5,590,675	1,188,101
Incidental services—net .....	2,058,593	1,579,999
	<u>\$ 199,390,290</u>	<u>\$ 183,473,467</u>
OPERATING EXPENSES		
Flying operations .....	\$ 42,773,963	\$ 37,796,217
Maintenance .....	39,242,218	38,826,563
Passenger service .....	13,339,644	13,356,686
Aircraft and traffic servicing ....	28,948,231	27,338,845
Sales and promotion .....	29,289,632	27,879,968
General and administrative .....	8,222,727	7,622,699
	<u>\$ 161,816,415</u>	<u>\$ 152,820,978</u>
INCOME FROM OPERATIONS .....	\$ 37,573,875	\$ 30,652,489
Depreciation and amortization ..	26,305,349	23,257,274
OPERATING PROFIT .....	\$ 11,268,526	\$ 7,395,215
Non-operating income—net ....	877,862	582,936
INCOME BEFORE INTEREST EXPENSE ..	\$ 12,146,388	\$ 7,978,151
Interest on loans and debentures.	11,618,513	11,518,776
NET INCOME OR (DEFICIT) .....	<u>\$ 527,875</u>	<u>\$ (3,540,625)</u>

## AUDITORS' REPORT

To The Honourable, The Minister of Transport,  
Ottawa, Canada.

We have examined the balance sheet of Trans-Canada Air Lines as at December 31, 1963 and the statement of income for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and the related statement of income, when read in conjunction with the notes thereto, are properly drawn up, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, so as to give a true and fair view of the state of affairs of the Corporation at December 31, 1963 and of the results of its operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

We further report that, in our opinion, proper books of account have been kept by the Corporation and the transactions that have come under our notice have been within the powers of the Corporation.

McDONALD, CURRIE & CO.,  
Chartered Accountants.

FEBRUARY 7, 1964.

## SIGNIFICANT STATISTICS

	1963	1962	Change %
Revenue Passengers Carried			
—Scheduled .....	3,883,590	3,837,491	+ 1
—Charter .....	82,957	27,917	+197
—Total .....	3,966,547	3,865,408	+ 3
Revenue Passenger Miles (000's)			
—Scheduled .....	2,701,899	2,629,285	+ 3
—Charter .....	185,340	30,293	+512
—Total .....	2,887,239	2,659,578	+ 9
Mail Ton Miles (000's) .....	13,859	12,862	+ 8
Express Ton Miles (000's) ....	3,758	3,516	+ 7
Freight Ton Miles (000's) ....	32,023	26,311	+ 22
Revenue Ton Miles (000's) ....	331,114	301,506	+ 10
Available Seat Miles (000's) ..	4,843,790	4,414,895	+ 10
Available Ton Miles (000's) ...	668,394	593,411	+ 13
Revenue Passenger Load Factor	59.6%	60.2%	
Weight Load Factor .....	49.5%	50.8%	
Average Flight Stage Length			
—Miles* .....	363	356	+ 2
Average Passenger Journey			
—Miles* .....	696	685	+ 2
Available Ton Miles per Aircraft			
Hour .....	3,744	3,178	+ 18
Average Number of Employees	11,587	11,907	— 3
Available Ton Miles per			
Employee .....	57,685	49,837	+ 16

\*Excludes charter.

The CHAIRMAN: We now will proceed with the first item, "financial". I would ask for your co-operation in that when we are discussing one item we will not put questions in respect of other items at the same time. As you will note, there are paragraphs in respect of services, facilities and so on which are independent of the paragraph in respect of financial matters. As I say, I hope we will stick to the item in question. The first heading is "financial".

(Translation)

The CHAIRMAN: Mr. Marcoux.

Mr. MARCOUX: Mr. McGregor, I have a question to put to you on the subject of Air Canada's financial organization. Each year we see Canadian National asking a certain amount for their operations and there is always included in these operations a portion which goes back to Air Canada. I would like to know whether this practice will go on indefinitely or if the day will come when the two financial situations of Air Canada and the Canadian National will be entirely separate?

(Text)

Mr. MCGREGOR: I am afraid there may be a misunderstanding about this. Our financial operations are entirely separate; there is no connection whatsoever. There is no money paid by the Canadian National to Trans-Canada Air Lines or Air Canada unless we indulge in new financing, in which case we borrow the money required as capital money, not as operating money, from the Canadian National who, in turn, borrow it from the government. We pay the Canadian National the same interest rate that they are required to pay for the money they borrow on our behalf.



(Translation)

Mr. MARCOUX: Do you believe that this is a procedure which makes things easier for you or is it simply that you want capital sums that you need yourselves to be charged against the Canadian National?

(Text)

Mr. MCGREGOR: I do not know that the system makes the situation any easier for Air Canada. It has been in force ever since the company commenced and, as you know, Air Canada is officially designated as a wholly owned affiliate of the Canadian National. That is, the Canadian National owns all our issued capital stock. It could be done directly as direct borrowings, I suppose, as easily, in which case our budget would be submitted very much in the same manner as it now is. But, basically speaking, I think it is a form of usage that has grown up over the years and has been continued because no one has decided to change it.

(Translation)

Mr. MARCOUX: Because Mr. Gordon told us that transportation companies, for example trucking companies, which were bought by Canadian National operated quite differently; all their assets are completely different from those of the CN and, as a representative of the people, as a member, I feel the people have a right to expect Air Canada to be able to be completely separate from the CN as regards their capital financing.

(Text)

Mr. MCGREGOR: Well, so it is, Mr. Marcoux, completely distinct, except that they act as an intermediary between the government and Air Canada so far as the borrowing of new money is concerned. Trans-Canada Air Lines has borrowed no new capital the last two years. The financing of the two companies is kept completely separate.

(Translation)

The CHAIRMAN: Mr. Grégoire.

Mr. GRÉGOIRE: Mr. McGregor, Mr. Gordon spoke to a considerable extent to us this year about recapitalization of CN's debt. Does Air Canada intend to come to us here this year or in the near future with an idea for recapitalization, or does your amortizement program allow for that?

(Text)

Mr. MCGREGOR: It is a very enticing prospect to write off one's debt, but we do not have any such thing in mind and I do not see the need for it. Our depreciation accruals the last two years have met our capital requirements. This may not always be the case in view of our expanding fleet but, as I say, generally speaking, depreciation accruals will meet our new capital requirements.

(Translation)

Mr. GRÉGOIRE: A few minutes ago you told Dr. Marcoux that Air Canada had done no new borrowing in the past two years. Now, I notice that, in your comparative results, this year you are paying \$99,737 more in interest on loans and liabilities than last year. If you have done no new borrowing, can you explain to us where this increase in the amount of interest to be paid comes from?

(Text)

Mr. MCGREGOR: By the last two years I meant 1963 and 1964. We borrowed no additional capital in 1963 over 1962. This addition of \$100,000 in interest was caused by a temporary loan that was in existence for four months. That made this difference of \$100,000 in interest payments in 1963 over 1962.

(Translation)

Mr. GRÉGOIRE: And that loan has been repaid since when?

(Text)

Mr. MCGREGOR: Yes. At the end of four months.

(Translation)

Mr. GRÉGOIRE: Which means that in coming years the amount of interest on loans and liabilities will not increase.

(Text)

Mr. MCGREGOR: That, I believe, is correct.

(Translation)

Mr. GRÉGOIRE: Does that amount gradually diminish as amortizement funds build up?

(Text)

Mr. MCGREGOR: It should decrease if we do not offset the fully depreciated condition on certain aircraft by buying new aircraft. However, I would think the present capital at work in the organization—unless it expands in an unlooked for way—will be adequate; in fact I do not foresee that we will have to borrow new funds this side of 1966.

(Translation)

Mr. GRÉGOIRE: Mr. McGregor, I see that the percentage utilization of seats has diminished this year by 1%, I believe, compared with last year and that it is something like 59%, at least on re-reading the report that is what I thought I had noticed. Now—

(Text)

Mr. MCGREGOR: As I think we have said before, Mr. Grégoire, you and your colleagues are travelling over routes that are fairly well patronized, whereas the depressing of the load factor occurs off the main line routes principally. For instance, this is a system load factor and we may fly a flight from here to Paris, and then to Zurich. There may be 10 passengers beyond Paris to Zurich, and that depresses the load factor in relation to some of the other routes, so does perhaps the route to Val d'Or in the off season period.

Another thing that affects your impression of the size of the loads that are being carried is your tendency, naturally, to travel on Fridays and Sundays because you are going to and from your constituency, which is again over a heavy route. But the over-all system load factor is a somewhat misleading figure because, as I say, it is an accumulation of the bad days and the good days, and on and off peak traffic periods.

(Translation)

Mr. GRÉGOIRE: Now when you call the Air Canada office for reservations it is almost always full unless you call a fortnight in advance. How can you then explain, seats being taken in a percentage of only 59% and 60%, that one has to call two weeks ahead of time to get reservations if they are not filled up?

The CHAIRMAN: Mr. Grégoire, must we confine our discussions to finance?

Mr. GRÉGOIRE: Yes, but there was a mention in the financial review of the number of seats that could be utilized. No, I would prefer to deal particularly with financing.

(Text)

Mr. PUGH: I have one question on the load factor. You mentioned the route from Paris to Zurich. By the rules as set down you cannot pick up passengers in Paris or Zurich, can you?



Mr. MCGREGOR: No, we do not have the fifth freedom privilege, as it is called.

Mr. PUGH: In what countries do you have the fifth freedom privilege, if any?

Mr. MCGREGOR: We have one or two out of Bermuda to other islands in the Caribbean. It is the only one that comes to my mind. There is another one permitted under the regulations but we do not operate the fifth freedom privilege there, it is between Paris and Rome, and no Canadian carrier serves both places.

Mr. FISHER: My first question is addressed to the minister rather than to Mr. McGregor. The only major point in connection with T.C.A. in which I am interested personally is the whole question of the future relationship of T.C.A. and the other air lines, particularly C.P.A., in view of the statement which the minister made. I want to find out, first of all, if the minister intends to be with us throughout the committee hearings, and if he does not, could he indicate whether he plans at this time to make any statement or remarks that might further clarify his position on this whole question?

Hon. J. W. PICKERSGILL (*Minister of Transport*): I would like to make a very brief statement right now, and if I might, sir, I would like to explain that there are some other matters that are just as pressing as the committee meetings—and I do not mean any disrespect to the committee when I say this—which will make it very difficult for me to be here all the time. However, I will be here just as much as I can.

On this question of the relations between the two major air lines, and the related question of their relations with the regional carriers, I think I could give a very brief progress report. I think the members of the committee are aware of the fact, which they learned through the C.B.C., that I met the presidents of the two air lines and their parent companies, and communicated to them three principles, which I do not have at hand, but which I think are well known, and I asked the presidents of the two air lines if they would meet together and discuss these three possibilities. I am only referring to the first of these things at the present time, because it does seem to me that they have to be taken seriatim. My own view is that we cannot settle the relationships between the regional carriers and the two principal carriers until the relationships between the two principal carriers are settled.

Now, Mr. McGregor and Mr. McConachie have had at least two meetings, and another meeting is going on more or less concurrently with the meeting of the committee. I must say I have been quite encouraged by such interim reports as I have received from the committee. When I say I have been encouraged, I mean I have been very much encouraged by the spirit of co-operation and good will that there has been in these discussions, and I believe very real progress is being made. But I do think, in view of the fact that everyone will appreciate that when negotiations are on it is very much easier to negotiate if you do not have the whole world looking at you as though you were in a goldfish bowl, that I would not be helping to achieve the objective that I think we all have in mind if I tried to make any report.

Perhaps I could go on to say that I addressed a letter the other day to the presidents of the air lines—perhaps I should not even have said I addressed a letter because I hope no one will ask me to table it. The only point in it really was to congratulate them on the way they got started, and I asked them if they could make a report to me by September 1. I would hope that that could be achieved. In the meantime, I am rather hopeful that some time in September we can have a meeting with the regional carriers, and then after that, I could



perhaps report something on that. I doubt whether it would be very helpful at this stage to divert our attention from the terms of reference of the committee to this rather speculative field.

Mr. FISHER: I want to make a point, Mr. Chairman. It may be speculative, but some of the questions, for example, that I would like to ask really relate to both these issues in terms of the financial report. I will just ask the minister one last question: Could he tell us whether in the conversations that he had—and which I assume he initiated with the two companies—he went any further than he has indicated publicly?

Mr. PICKERSGILL: No. So far as my position is concerned, what I said to the air lines I have also told parliament.

Mr. FISHER: Mr. McGregor, the last time you were before us you gave us information that indicated which routes of T.C.A. were making money and which were what we have come to call social routes. Can you bring us up to date, informally, on this information? I would particularly like to know whether the routes which, as shown by your cost accounting are not paying routes fit into the over-all pattern of income.

Mr. MCGREGOR: Yes, Mr. Fisher; if I understand your question correctly, the pattern has not changed. Basically, the primary contributors to company overhead are the transcontinental and trans-Atlantic routes. I think I have always said in the past, and in any case I will say again, that I have never felt—with apologies to Mr. Harvey—that the accounting on the Caribbean route properly reflects the situation because, fortuitously, the peak traffic period of the Caribbean route is out of phase with the peak traffic period on trans-Atlantic and transcontinental routes. Therefore, if we were to serve that peak traffic period, domestic and trans-Atlantic, we would have to be equipped and manned to do so and if it were not for the Caribbean, that equipment and personnel would be literally wasting their time in the off-season. However, accounting does not take that fortuitous situation easily into account, so the answer to your question is that with the possible exception of a few routes, mainly transborder, that slide in and out of a break-even position such as Toronto-Chicago and occasionally Toronto-New-York, the only two earning routes are trans-Atlantic and transcontinental and the rest are, if you wish to give them that name, social routes.

Mr. FISHER: Then there has been no marked change in the pattern in the last year in so far as any of these routes are concerned?

Mr. MCGREGOR: That is correct, with the exception that one route—the prairie milk run route—has ceased to be ours.

Mr. FISHER: In the negotiations you are having with the other major air lines, is this question of the role that regional carriers may play, say, in taking over some routes, particularly the ones that are not remunerative, a live topic with you?

Mr. MCGREGOR: No. It has not come into the discussions so far. Our conversations thus far have been confined to areas of transcontinental fare differential, which I like to think is resolved—perhaps I should say that I again think it is resolved because I have previously thought so two or three times in the past, but it did not work out—and reciprocal arrangements with respect to the handling of traffic beyond the borders of Canada where, in the past, there have been inter-line agreements which have not been to the advantage of either Canadian carrier, in principle at least.

Mr. FISHER: In terms of the financial review that you have here, are there any indications that, working with the other major carrier, you may be able to offer any reduction of domestic rates—in other words, as a result of this financial performance?

Mr. MCGREGOR: Not yet. We have not gone a long distance yet. I think the minister is being generous when he congratulates us on the progress we have made; we have made progress all right. So far we have not got to the point at which we can say that our financial situation is better; we have not reached the point at which we can make major reductions in the present domestic fare structure.

Mr. FISHER: Have you reached any decision in your plans for going all economy?

Mr. MCGREGOR: No, we have considered it and we have examined it. We have talked to the air lines in the United States which are trying this. We find surprising differences in opinion as to whether it is a good thing or a bad thing.

Mr. FISHER: In terms of financial income, what has happened with regard to something that has been brought up a number of times in this committee over the last years, the question of putting on a scheduled service on a but type basis in the high traffic routes such as the Germans have done between Hamburg and some other places? The United States have introduced this type of thing, and one carrier has introduced it in Alberta.

Mr. MCGREGOR: Our unhappiness about the non-reserved type of operation, to which I think you are referring and which we did operate between Vancouver and Victoria immediately prior to the introduction of the ferries, is basically that it is very difficult to advise passengers, when one does not know they exist as potential passengers, of any irregularity or interruption of the service owing to weather. This is particularly trying in the coastal areas. So we are not prepared to say that there is nothing in this on high density routes; in fact, I expect the next one on which we will try it will be Montreal-Toronto, a route on which our present schedule is in the order of 23 flights a day. This could probably go on to the non-reserved basis. This is not a very efficient use of equipment, however. It means that practically one has to have equipment standing by against the possibility of a load developing, and we are sufficiently experienced in this business to know that this is almost impossible to predict accurately. Surprising little things will suddenly produce a burst of traffic that is unlooked for, and if one has not the equipment there and one has a non-reserved schedule basis, it is trying for the passengers, and the air line can get itself quite a bad name.

Mr. FISHER: What have you seen as a consequence of the increased competition on that route, for example, of the lower fare structure of the railways?

Mr. MCGREGOR: The so-called red, white and blue fare structure has had a discernible effect on our earnings. We say that with some confidence because it was introduced by sections, and the first place it was tried was east of Montreal to the maritimes; and we certainly noticed a lessening in the rate of traffic growth that we had forecast. The red, white and blue was then extended to transcontinental routes and we thought that once again we did detect a decrease in the rate of traffic growth that we thought we had a right to expect.

Mr. FISHER: When Mr. Gordon was here before us he placed great emphasis on the fact that competition answers with competition. Should this not be an argument for you to reduce your fare structure as against their reduced fare structure?

Mr. MCGREGOR: I do not know, Mr. Fisher. If I read the Canadian National Railways annual report correctly, their passenger traffic increased by 15 per cent and their passenger traffic revenue increased by one per cent. I do not know that this means that it is a good thing necessarily.

Mr. HAHN: May I start with the statement you made, Mr. McGregor, about the so-called social routes, those that are just breaking even, the transborder



routes—Toronto-New York and Toronto-Chicago, and the heavily travelled Toronto-Montreal route. What sort of load factor would you have on these routes?

Mr. MCGREGOR: I think I can give you that exactly.

Mr. RHÉAUME: On a point of order, Mr. Chairman, I am sure many of us have specific questions on specific routes and so on. I am just glancing at the notes other have made. We are hoping to discuss this under service and traffic growth. In view of the fact that we did not read the report completely, however, perhaps you prefer us just to tee off on any section, and if that is so then we are quite happy. However—

The CHAIRMAN: I asked Mr. Grégoire to limit his questions, and he did so. I had hoped that we would limit questions relating to traffic to those which have a direct bearing on the financial situation, but I am beginning to think at the present time that we are asking specific questions that should be left for service and traffic growth. I think that will give everybody a chance to ask those questions, but I see very few questions being asked about the financial situation of trans-Canada airways and, probably, it is the wish of the committee to pass it. Would you mind, Mr. Hahn, if we delayed this?

Mr. HAHN: Not at all. On page 5 under the heading of "Financial" there are certain data which deal with the revenues of the company. This is all tied in with the business of service and traffic growth. If you want to deal now directly with the general financial picture of the company perhaps when we get to service and traffic growth we could refer back to it.

The CHAIRMAN: That is a good idea.

Mr. MCGREGOR: There is practically nothing associated with the company which does not have a financial connotation. About the only time when we tend to go astray is when we are dealing with finances, because everything to some degree is financial.

The CHAIRMAN: Let us try to be financial.

Mr. PRITTIE: Have there been any questions about the insurance fund lately? I realize that is not under financial.

The CHAIRMAN: Carried.

[Translation]

Mr. GRÉGOIRE: One last, one more question on the financial aspect. Mr. McGregor, by keeping the maintenance base in Winnipeg, by not moving it to Montreal, what additional expenditures did you incur for the year 1963? For the year 1963 alone, what was the additional cost resulting from your having the maintenance base in Winnipeg rather than in Montreal?

[Text]

Mr. MCGREGOR: The consultant firm which we employed said that the excess cost to T.C.A. to maintain the base facility in Winnipeg was \$1,000,000 a year, approximately.

[Translation]

Mr. GRÉGOIRE: So if that base had been moved to Montreal, you would have shown a profit of \$1,527,000 instead of \$527,000.

[Text]

Mr. MCGREGOR: As a generality, that is probably correct. On the other hand, the company does not feel free to move the base, because it is under a firm commitment to its employees in Winnipeg to maintain the base at Winnipeg as long as it is operating a substantial number of Viscount aircraft. I think it would be very bad personnel relations if we were to break that word.



[Translation]

Mr. GRÉGOIRE: My question related less to the agreements entered into by the company than to its financial results. If that agreement had not been entered into, you would have a million dollars more in profits to show for the year 1963.

(Text)

Mr. MCGREGOR: If the figures are correct, that is a correct conclusion.

Mr. MUIR (*Lisgar*): I have a supplementary question. How did you arrive at this figure, Mr. McGregor, of \$1,000,000?

Mr. MCGREGOR: We did not arrive at these figures. We gave all the data of the company's operations to the firm of Dixon, Speas, and they came up with this figure in conjunction with four different solutions or hypotheses. One was that the base would be closed down and moved from Winnipeg in 1963. That showed an improvement of \$1,000,000 per year over the second, which was one we are fully ready to follow, that the base would not move until 1966. And they went on with two others. One was that the base would not move until 1972, and the other was that a new aircraft type would be put into the Winnipeg base, and that meant something like \$40 million for ten years.

Mr. MUIR (*Lisgar*): I understand that that particular report is under very serious question, so serious in fact that the Minister of Transport tabled an order in council the other day setting up a commissioner to examine among other things the Dixon, Speas report. Do you think it is fair to play around with this \$1,000,000 a year until we have a final report on this thing? I mean, it does not read very well to start with; and if it should be proven that the Dixon, Speas report is wrong, then I think that certain allegations which they have made would certainly operate against the international airport at Winnipeg or its facilities.

Mr. MCGREGOR: I think you are quite right about questioning the advisability of discussing a basic situation that has been submitted to a commission. On the other hand, I have been asked what the figures were. I have not quoted these as being Air Canada figures, but rather as being Dixon, Speas figures, and they are published.

Mr. MUIR (*Lisgar*): As long as the public realizes that these are not Air Canada figures but Dixon, Speas figures, we would not quarrel with you. But we are going to continue to quarrel with them until they are proven to be right or wrong.

Mr. NUGENT: I want to be sure that I understand correctly that we are on finances, and that we can take up later under ramifications and expansion the statement of the minister after the question by Mr. Fisher about an attempt to reach an agreement between C.P.A. and T.C.A. But right now we are on finances.

Mr. PICKERSGILL: May I say a word here. By "later" I did not mean during the course of the deliberations of the committee at this session of parliament, because it does not seem to me that there is anything that Mr. McGregor or I could very usefully add to what I said until the discussions get far enough that some definite conclusions are reached.

Mr. NUGENT: I thought that the minister might like to be here when this matter was discussed.

Mr. PICKERSGILL: I hope we would allow the two companies to carry on their own discussions first.

Mr. RHÉAUME: Did you not suggest that September 1 was the date when you would hope to be in a position to discuss it?

Mr. PICKERSGILL: That was the date I hoped when the companies would be able to report to me.

Mr. RHÉAUME: You would be fair game after September 1?

Mr. PICKERSGILL: I think I am always fair game.

Mr. RHÉAUME: I mean fairer than usual.

Mr. PICKERSGILL: I hope that some of the members of the committee feel as I do, that on September 1 we may be somewhere else rather than here.

Mr. GRÉGOIRE: Where?

Mr. MUIR (*Lisgar*): I would like to finish my statement. I think this probably touches on everything that is financial that we have been talking about at the present time. I would like to get back to the Winnipeg air base at a later time.

Mr. PUGH: My question is, has the air policy of the government been stated publicly at the present time, or are you going to wait until after September 1?

Mr. PICKERSGILL: I thought I had made that very clear. I did tell parliament there were three principles that the government would like to have followed in air policy. We hoped to get the maximum co-operation from the air lines in working out that policy. I found that a good deal of time was going to be needed for discussion between the two major air lines and other discussions with the original carriers before I would be in any position to make any statement of policy. I think the best date we can hope for is some time around September 1—and it may not be that soon, because these discussions are not easy. The two major air lines may be in a position to report to me in September, and I rather hope to have some discussion with the regional carriers. It would certainly be some time after that before any final conclusions are reached.

(Translation)

Mr. GRÉGOIRE: Did representatives from your department attend these meetings?

(Text)

The CHAIRMAN: Mr. Nugent was asking a question.

Mr. PICKERSGILL: No.

Mr. NUGENT: The reason I brought it up was as a courtesy to the minister; he might like to be present when we asked questions dealing with the negotiations between T.C.A. and C.P.A. and with related matters. I wondered if we could go on to that.

Mr. PICKERSGILL: I think Mr. Nugent was not here when I answered Mr. Fisher's question. I am prepared to repeat my answer.

Mr. NUGENT: Yes, I was here.

Mr. PICKERSGILL: I said that I would think it would be a very great mistake for Mr. McGregor or for me or anyone else to attempt to say anything until the discussions adjourned finally, because we would limit thereby the capacity of the two companies to discuss the matter freely; and until they are ready to report I do not think it would be very helpful in reaching any conclusion to have a lot of questions asked.

Mr. NUGENT: I want to clarify the background of the discussion and the basis on which the companies might now be discussing these matters. Mr. McGregor mentioned that so far they are only discussing the four differential interline agreements with the air carriers and so on. The question brought up in the committee before was the question as between T.C.A. and C.P.A. That is, because of the method under which T.C.A. operates—its agreement with the

company, and its relationship with the air transport board, Canadian Pacific Airlines is not on the same footing and does not have the same freedom and flexibility. I would like to ask some questions on that phase at this point. As a background to the negotiations between the Trans-Canada Air Lines and Canadian Pacific Airlines, I gather from the minister's statement that the first point may be in respect of the international route where there may be some degree of co-operation between T.C.A. and C.P.A. with regard to trans-Atlantic carrying. Is that an objective of the discussions?

Mr. MCGREGOR: That is one of them.

Mr. NUGENT: Is another objective of the discussions regularizing the trans-Canada competition between the two companies?

Mr. MCGREGOR: Yes, if you mean by that equalization of fares.

Mr. NUGENT: That is all. Has there been a request made by Canadian Pacific Airlines to the government or to the air transport board that where they are competing with T.C.A. they should be allowed to operate on the same basis as T.C.A.; in other words, instead of being granted a licence to give a certain service between two points, they be allowed to operate much the same way T.C.A. operates; that is, that they be given a licence to service a point, and then work out their own flights as they wish. Is the discussion going to centre around any part of that in an effort to even it up?

Mr. MCGREGOR: Not in my discussions with Mr. McConachie.

Mr. NUGENT: Is it not a fact that T.C.A. operates out of Vancouver with greater flexibility in arranging what flights it wants than C.P.A. does?

Mr. MCGREGOR: Under the ruling of a hearing conducted by the air transport board; yes.

Mr. NUGENT: It is not just under the ruling; it also is covered by the contract between the government and T.C.A. that you are allowed this greater flexibility. The air transport board cannot prevent you doing what you want to do once you have the original licence to service a point.

Mr. MCGREGOR: I would think the powers of the air transport board in the matter of disallowing are complete. There is legislation, I believe, which says that an air line owned and controlled by a surface carrier may operate services only by specific order in council. So far as I know that is the basic restriction on C.P.A.

Mr. NUGENT: Is that order in council administered by the air transport board?

Mr. MCGREGOR: I think they recommend it.

Mr. NUGENT: But T.C.A. operates on an agreement between T.C.A. and the Minister of Transport.

Mr. MCGREGOR: T.C.A. has two route licences across the country. Between them they name the points we serve. No reference is made in either of those licences to frequency of service.

Mr. NUGENT: Does it not also say that if you have three points you are servicing—say Vancouver, Edmonton and Winnipeg—T.C.A. can put on a service from Vancouver to Winnipeg, or stop at Edmonton, if it likes, or service any two or three with whatever frequency of flights it likes.

Mr. MCGREGOR: It does not say; it just names the points. No reference is made to frequency of service. Whether an intermediate point is serviced by all flights operating between two termini is a matter of the traffic flow and the company's decision.

Mr. NUGENT: T.C.A.'s decision.

Mr. MCGREGOR: Yes.



Mr. NUGENT: That same reasoning does not apply to C.P.A. When they apply to the air transport board, they must apply and state specifically the two points and the frequency of service, and they are granted a licence just for that service.

Mr. MCGREGOR: I do not think so. C.P.A. is licensed to service a route once a day, Montreal, Toronto, Winnipeg and Vancouver, and so far as I know there is no specific requirement that it not pass up Toronto or Winnipeg.

Mr. NUGENT: That licence calls for once a day?

Mr. MCGREGOR: Yes.

Mr. NUGENT: Does your licence restrict you to that?

Mr. MCGREGOR: No. We have no frequency restrictions.

Mr. NUGENT: So yours is much more flexible in respect of the use of equipment and so on?

Mr. MCGREGOR: I do not know what the term means, but I am prepared to agree if you like. Actually I think C.P.A.'s utilization of its aircraft on its particular routes and the licence they have are exceedingly good.

Mr. NUGENT: The reason I bring this up is you mentioned the flexibility of your company on the Bermuda route, and the fact that the seasonal high is at a different time. The same may apply on your feeder routes. If you are able to vary your service to a greater extent than your competitor, and thus make more efficient use of your aircraft, that gives you more advantage over him?

Mr. MCGREGOR: No; definitely not. We are acting as a header tank in this case. They have a specific licence and operate at a high load factor, and we have to take the surges and vacuums in the traffic.

Mr. NUGENT: In Vancouver have you not put in a flight to bracket in the two so that people can go early or late?

Mr. MCGREGOR: They, C.P.A., can move as far away from our schedule as they want to.

Mr. NUGENT: Is it not a fact that once they set their schedule to that particular time you changed yours too.

Mr. MCGREGOR: No.

Mr. NUGENT: You say that the possibility of being able to use aircraft and have greater flexibility in respect of points served and how you serve them does not give you an advantage?

Mr. MCGREGOR: I said that.

Mr. NUGENT: On the trans-Atlantic run has there in fact been any co-operation between C.P.A. and T.C.A., either in respect of commercial regularly scheduled flights, or in respect of chartered business?

Mr. MCGREGOR: Yes, there has been quite a lot. For instance, if a passenger comes into one of our offices not well informed and says he would like to fly to Rome, we would tell him he can fly to Rome and we will carry him as far as Paris and make arrangements with another carrier to fly him from Paris to Rome; but we draw his attention to the fact that C.P.A. is operating a through service to Rome.

Mr. NUGENT: Is that the extent of the co-operation?

Mr. MCGREGOR: If they want to buy a ticket from us, we are glad to sell it.

Mr. NUGENT: There is no co-operative arrangement between the two companies, having in mind availability of aircraft and exchange of equipment?

Mr. MCGREGOR: No.

Mr. NUGENT: Or help with overloads.

Mr. MCGREGOR: We do not operate any specific point to point competitive trans-Atlantic service.

Mr. NUGENT: That is my next point. In respect of these charter flights, I suppose there is competition on flights to Europe especially. Would one of the incentives with T.C.A. for people who wish to charter aircraft be the fact that your London terminal is a more attractive place to go than Paris or Antwerp?

Mr. MCGREGOR: No. I think C.P.A. in 1962 operated more charter flights to London than we did.

Mr. NUGENT: They operate there, too?

Mr. MCGREGOR: There is no restriction.

Mr. NUGENT: You do not have any co-operative agreement to take care of a sudden burst of traffic back and forth?

Mr. MCGREGOR: No. I do not see how there could be. We do not operate any parallel routes across the Atlantic.

Mr. NUGENT: I note there is a tremendous increase in the Canadian amount of this charter service obtained, Mr. McGregor. Can you tell the committee how Canada got this better share of this service last year than it apparently did in years before?

Mr. MCGREGOR: I guess you are speaking of 1963 because the same situation is not true of 1964.

Mr. NUGENT: I see.

Mr. MCGREGOR: No. I expect the answer to your question is that many groups in Canada form some of these charter flight organizations specifically for the purpose of taking advantage of charter tariff arrangements, and having been formed in Canada a Canadian carrier would naturally fall heir to the business.

Mr. NUGENT: Is there any difference to the obtaining of that business if a charter flight actually starts at an intermediate point in Canada?

Mr. HAHN: On a point of order, Mr. Chairman, it seems we are now getting away from a discussion of the agreements or possible agreements between T.C.A. and C.P.A. and into the item covering services and traffic, in respect of which I think we agreed to hold our questions for the time being.

Mr. NUGENT: My next question will show that I am in order, Mr. Chairman.

The CHAIRMAN: Mr. Nugent, are you going to keep within the bounds of your original suggestion?

Mr. NUGENT: Yes. I intended to ask whether it makes a difference if these flights originate in Canada, and whether this gives an opportunity for co-operation between the companies in order to make sure that one or the other of the Canadian carriers gets the service rather than a foreign carrier? In other words, do your discussions with C.P.A. involve the problem of co-operation between T.C.A. and C.P.A. in an effort to obtain a higher percentage of trans-Atlantic service for a Canadian carrier?

Mr. MCGREGOR: No. In fact, we have not touched upon charter operations at all in our discussions. This has not been a point of discussion between C.P.A. and T.C.A. These two companies can operate charters between any point in North America and Europe or the United Kingdom in respect of which it has a licence to operate.

Mr. NUGENT: I am looking at the number of charter flights overseas and I see T.C.A. increased from 47 in 1962 to 427 in 1963. I take it from what you have said that this is not the result of any co-operation with C.P.A.?

Mr. MCGREGOR: No.

Mr. NUGENT: I see that the total number of flights for charter carriers overseas is 971 in 1963, so that your company carried less than half. Is there in your opinion any possibility that co-operation between Trans-Canada Air

Lines and Canadian Pacific Airlines will give an increase in the total percentage of charter flights overseas to Canadian carriers?

Mr. MCGREGOR: Not that I can see. The reason for the increase is the fact that there were of the order of three, if not four, additional foreign companies permitted to operate charter flights out of Canada.

Mr. NUGENT: Mr. Chairman, I should like to ask one more question of the minister or Mr. McGregor. I think the committee might better understand the operations of T.C.A. as compared to other private carriers in Canada were we able to see the agreement between Trans-Canada Air Lines and the Minister of Transport.

Mr. PICKERSGILL: To the best of my knowledge there is no such thing. To the best of my knowledge parliament legislated to create T.C.A. and T.C.A. operates under the legislation prescribed by parliament. I have never heard of any agreement between T.C.A. and the Minister of Transport affecting its general operations.

Mr. MCGREGOR: I think, Mr. Pickersgill, Mr. Nugent is referring to a thing called the Trans-Canada contract, and it is stipulated in the Trans-Canada Air Lines Act that there should be such a thing.

Mr. PICKERSGILL: That is perhaps an admission of my ignorance.

Mr. MCGREGOR: I do not know that it is. This is perhaps not that to which Mr. Nugent is referring.

Mr. NUGENT: That is what I have reference to, yes.

Mr. PICKERSGILL: I am afraid I must plead that it has never come to my desk since I became the minister. I have not been educated in that regard. I will endeavour to find out and perhaps answer later.

Mr. NUGENT: I just suggest, Mr. McGregor, that were we to see this document it might be of assistance to us in understanding the situation.

Mr. PICKERSGILL: I do not think there is anything secret about that document.

Mr. MCGREGOR: It is a public document.

Mr. PICKERSGILL: I will be glad to get it.

Mr. MACEWAN: Mr. Chairman, I should like to ask a short question in respect of capital expenditures. I note that the sum of \$28 million was paid as a calculated initial payment in respect of six DC-9 aircraft and I understand they are to be delivered in 1966. Can you tell me what payments were made on them and do I understand that it is the ordinary thing for payments to be made to aircraft corporations to enable you to get priority of delivery in an agreement with the Douglas Aircraft Corporation, for example?

Mr. MCGREGOR: Normally in the purchase of aircraft a percentage of the total cost of the aircraft, per aircraft ordered, is paid on the signing of the contract. In some cases there are interim payments made during the intermediate period, and the balance is paid on delivery of the aircraft, or on final acceptance.

Would you like to know the amounts involved?

Mr. MACEWAN: Yes.

Mr. MCGREGOR: In 1963 we paid \$1,005,000, which is five per cent of the total price of the six aircraft ordered, and in 1964 we will pay a further \$4,224,000 and the balance on delivery in 1966.

Mr. MACEWAN: Thank you. Finally, at the risk of being called out of order, do I recall correctly that in a speech made in Halifax I think this spring, you suggested the DC-9's would be used after delivery, at quite an early date, on the maritime runs?



Mr. MCGREGOR: That is correct.

Mr. RHÉAUME: I should like to question Mr. McGregor in relation to the negotiations with Canadian Pacific Airlines.

The CHAIRMAN: You will be treading on a very narrow path.

Mr. RHÉAUME: Yes, and I am being very careful that my questions are in order. Who is doing the negotiating? Is it being done at top level by the presidents of the corporations?

Mr. MCGREGOR: Following the meeting with the minister in his office, to which I referred, which is generally now called the four presidents' meeting, the same four men met immediately after with the idea of having a preliminary canter around the areas we thought the minister had pointed out to us as spots where he thought co-operation could be usefully explored.

Mr. PUGH: In which one is Northern Dancer?

Mr. MCGREGOR: Following that occasion Mr. McConachie and I met in my office, about three weeks to a month ago, at which time a certain agreement was reached on the points I think I mentioned to Mr. Fisher, and exploratory talks were held in respect of the far more difficult area of co-operation involving the international route pattern. The outcome of that was the agreement that we were not sufficiently familiar with the problem we were discussing and its financial aspects to make very good sense, and we had better turn the job over to our respective traffic experts. We agreed on a date and also agreed on reciprocal venue by virtue of which these two teams are due to begin meeting in Vancouver on June 23, which I think is tomorrow, to continue that discussion.

Mr. RHÉAUME: Thank you. There is one other question I should like to ask relating to financial matters. It may appear to members of this committee initially that my next question is a little out of order, but I should like to read a press article of a month ago which suggested that Trans-Canada Air Lines, or Air Canada, is not financially flexible enough to stay in the running with other air lines. This article was a Canadian Press story from Winnipeg quoting your Mr. Glenn, who is an aircraft evaluation expert with Air Canada, as saying:

—that T.C.A., as a crown corporation, does not have the flexibility which allowed Canadian Pacific Airlines to place an order for three American supersonic planes—

According to your earlier explanation in respect of the DC-9 purchases, this would indicate that you would start off bidding for an aircraft now, sometime even before they are being flown, to stay in the race. Is that a fair statement?

Mr. MCGREGOR: It is not an accurate statement. First of all, no one has actually ordered a supersonic aircraft as yet, least of all the United States-made aircraft, so there has been no orders placed. I think what Glenn was saying was that T.C.A. would be hard put to justify to its directors or anybody else the payment of \$100,000 per aircraft without interest for an indefinite period of time for the sake of obtaining a position on a delivery queue. This is all that has been done in respect of any of the 80 odd American S.S.T.'s, for which that sum has been paid, for a position on a delivery queue. I do not blame Mr. Glenn for saying that. It is true that we have not that flexibility. At least, we do not believe we have.

Mr. RHÉAUME: But is it not a fact that in terms of going from the propeller driven fleet to the total jet fleet Air Canada was in the lead in respect of almost all other world air lines and did you not at that time also have to make payments to get yourself in the delivery queue so that you would in fact be the first world air lines to have an all jet fleet?

Mr. MCGREGOR: Yes, and we included it in the capital budget. We submitted that capital budget for approval before making any expenditures. And, only in one case in the company history have we bought an aircraft that had previously flown.

Mr. RHÉAUME: Do I detect some timidity in what you say and that in fact you are not quite prepared to put yourself in the lineup for S.S.T.'s.

Mr. MCGREGOR: Although there is a lack of knowledge here we know as much about the S.S.T.'s as anyone else does. We have had our chief engineer on the original planning team for the Concorde, which is the French-British version and they are 2½ years ahead of the Americans. This is, in fact, a crystalized design and the United States' S.S.T. is not.

Mr. RHÉAUME: What flexibility is it that you are lacking?

Mr. MCGREGOR: All I am saying is that we dislike the idea of using \$100,000 per copy of the company's money and, thereby, receiving no interest on it, while a design is worked on.

Mr. RHÉAUME: Are you not afraid that this might put you at the end of the lineup for S.S.T.'s?

Mr. MCGREGOR: Not a bit.

The CHAIRMAN: Have you a question, Mr. Pascoe?

Mr. PASCOE: I was interested in these initial payments on the D.C.9. However, Mr. MacEwan put a question in this respect and the answer was given. I would like to put this question. What is the stage of construction of the D.C.9 now, and when do you expect delivery?

Mr. MCGREGOR: The stage of construction is that there is a final assembly jig set up in California. There is a nose section built there and the aircraft components are going into the final assembly jig. There has been at least one, and perhaps as of now two, sets of wings delivered from de Havilland of Toronto to Douglas. In other words, the aircraft, I would say, is about 12 months away from the first test flying.

Mr. PUGH: My question is along the lines of those put by Mr. Nugent. However, in the discussion which took place the word "bracketing" was used in regard to T.C.A. and C.P.A. transcontinental flights. May I ask this question. Who picked the times first, T.C.A. or C.P.A., on the daily flight which leaves Montreal, arrives in Toronto almost on the button; is scheduled to leave Toronto at exactly the same time and arrive in Winnipeg at the same time; leaves Winnipeg and arrives in Vancouver at the same time Was it T.C.A. or C.P.A. who first picked that time?

Mr. MCGREGOR: I would have to do some digging to find the answer to that one. But, let me explain that both air lines are guided by the same principle: when does the public want to travel most, and the fact we should have close scheduling under these circumstances does not surprise me. We start off with the same basic information and endeavour to serve the same market.

Mr. PUGH: I would be pleased if you could obtain the information as to which air line picked it first.

Mr. MCGREGOR: I think our timetables are dated the same, but I will try to find out that information for you.

Mr. PUGH: I will put it this way. Why is it that that traffic must load at that particular time. Surely it works a hardship on both lines when you start and finish right on the button. There is no question of bracketing on this Trans-Canada Air Line.

Mr. MCGREGOR: No, it depends entirely on the load factors of each flight. If we found ourselves operating at a 61 per cent load factor owing to the close timing we would say perhaps it is better to move off it.

The CHAIRMAN: Would you proceed, Mr. Crouse.

Mr. CROUSE: Mr. Chairman, my question deals with service and traffic growth but I think the answer will be of a financial nature. It states in the report:

In 1963 T.C.A marked its twentieth year of trans-Atlantic service and its fifteenth year of operations to the Caribbean, providing record capacity and carrying record traffic totals on both routes.

Are you giving any consideration to providing a direct route from Halifax through Bermuda to the Caribbean? As a Nova Scotian, I have always felt that we in the Atlantic provinces were, if you will, not receiving the very best service that is obtainable. We must fly from Halifax to Montreal in order to fly to the Caribbean. I am wondering if you are giving any thought to providing this service in the near future?

Mr. MCGREGOR: Yes. First of all, I am no stranger to the question, as I think you know. Second, the answer is not necessarily financial. Bermuda is under the jurisdiction of the U.K. government in respect of bilateral air agreements. We are not today empowered to fly from Halifax to Bermuda. Mr. Nugent feels that we could fly all over the world without obtaining anyone's permission. But, this is not right. We would have to have an amendment to the United Kingdom-Canada bilateral agreement that would specify that right and, unquestionably, Canada would have to pay a price in the negotiations, and probably a long one. So, it is not a question of T.C.A saying tomorrow they would like to do it and to start operating. It is not possible. The matter has been discussed with the chairman of the air transport board who has pointed out with some trepidation he would be fearful of whether the quid would be worth the quo, if I am not talking Dutch.

The CHAIRMAN: Would you proceed with your questions, Mr. Hahn.

Mr. HAHN: Mr. Chairman, I have a couple of questions.

First of all, it is stated in the report that you did not require outside borrowings or additional borrowings last year to finance your capital purchases. What about next year; are you going to be able to continue next year without any additional borrowings?

Mr. MCGREGOR: Yes, this year and next year.

Mr. HAHN: That is, 1964 and 1965?

Mr. MCGREGOR: Yes.

Mr. HAHN: You will need to borrow for 1966?

Mr. MCGREGOR: I am not certain we will have to and I am not certain that we will not have to, and I would like to leave it at that.

Mr. HAHN: My second area of questioning deals with the depreciation procedure. A little farther down the column you state:

This procedure provides for the systematic write-off of each asset over its estimated useful service life, down to a residual value.

In the disposals that you made of aircraft last year did you have to accept a figure which was below the existing value when you disposed of the aircraft?

Mr. MCGREGOR: No, I am glad to say we did not. The reverse was the case in some instances. After querying this, I am afraid I will have to eat some words. We sold a Superconstellation, which is a pretty elderly aircraft, for \$28,000, on which the net book value was \$50,000. We sold another for \$27,000 on which the net book value at the time was \$50,000. We sold a Viscount—

An hon. MEMBER: You are on the record.

Mr. MCGREGOR: We sold a Viscount for \$426,600 and it had a net book value of \$332,372.



But we had to spend \$101,600 to modify the aircraft. So that I think we lost about \$3,000 on it.

Mr. GRÉGOIRE: What is the total?

Mr. MCGREGOR: We sold aircraft of various breeds, types and parts for a total of \$548,522, and equipment, that had a book value of \$847,672.

Mr. HAHN: So that over all you have taken a writedown? As a result of this, are you changing your depreciation policy or your rates at all?

Mr. MCGREGOR: I do not think so. There were a lot of piston engined aircraft sold, and these have a very poor resale market. I do not think this will continue to be true of turbo props, and if we ever get to the point where we are selling full jets, presumably our 12 year depreciation life of the DC-8 will prove to be satisfactory, and that we will meet the 10 years on the Vanguard and the nine years on the Viscount.

Mr. HAHN: You have some Viscounts that I gather are about to be sold. Have you tested the market for those as yet? The market value that you are talking about proves that the book value of the aircraft is roughly equivalent to what you expect to get.

Mr. MCGREGOR: We sold in 1964 three Viscounts for a net increase over book value of \$269,534.

Mr. FISHER: That includes the one which went to TransAir?

Mr. MCGREGOR: That includes three which went to Air Inter, although they probably would not thank me for saying so.

The CHAIRMAN: Any more questions?

Mr. RHÉAUME: I have a supplementary on the sale of aircraft. I do not know where else I could ask it. What is the method used when you are disposing of aircraft? Are they advertised?

Mr. MCGREGOR: You advertise it in the trade magazines, you are then deluged with a lot of people who want an exclusive option to sell it, you refuse those, and eventually it sells.

Mr. RHÉAUME: Presumably the company takes into consideration the best possible deal it will get on the dollar value?

Mr. MCGREGOR: The average man in that business likes to sell the aircraft before he buys it.

(Translation)

The CHAIRMAN: Mr. Grégoire.

Mr. GRÉGOIRE: Mr. McGregor, this is a question arising out of the questions raised by Mr. Rhéaume just now, concerning super-jets in the future. Does Air Canada have any options on 'Concord' aircraft?

(Text)

Mr. MCGREGOR: No. We have not taken any position on any supersonic at this time. We are talking of aircraft which are certainly not going to be in service before 1972.

(Translation)

Mr. GRÉGOIRE: Then, once those aircraft are flying, you have no preferential place for any of them? Do you believe that you are, nevertheless, in a position to face competition at that time?

Mr. MCGREGOR: Yes, I think so. First of all, what these aircraft are going to do, either of them—the U.S. one which has a tremendous question mark associated with it, and the Concord which, as I said before, has a crystallized design at the present time—is very much of a moot question. We have no idea what the governments are going to do. If the supersonic is required to operate

under present curfew laws—I do not know what the translation for that would be—but at the present time we are not allowed to operate the subsonic jet aircraft into and out of Montreal after midnight or before seven a.m. If these regulations, which are based on air to ground noise, continue to be applied to the supersonic, its economics are going to be seriously affected because the only chance of a supersonic making good money is to be able to operate across the Atlantic and back at least twice in a day, which means it is going to operate either out or in during this present curfew period of 12 to seven a.m. However, there is surprisingly little factual information known about what the air to ground noise situation is going to be. The protagonists of the supersonic say it is going to be no greater than the subsonic. Maybe so, we have to be shown, but to tie up company money nine years ahead of a possible service date, with so many question marks attached to the product, we think is not good business.

(Translation)

Mr. GRÉGOIRE: Are the estimates that the 'Concord' will not be flying before 1972 those of BOAC and Aviation engineers?

Mr. MCGREGOR: Yes. Well, perhaps I should say that I do not know too much about the engineering opinion of the air lines; I do know about the manufacturer's, which started as recently as two weeks ago was "service in 1972".

The CHAIRMAN: Is the financial section agreed to?

Mr. PUGH: I have one more question on the phasing out of Viscounts. I take it that by the time the Viscounts are phased out, they will be pretty well written off. The company will not lose money on it.

Mr. MCGREGOR: Yes.

Mr. PUGH: Will you have any that are surplus to requirements, any more sales?

Mr. MCGREGOR: Two aircraft are presently surplus to requirements.

The CHAIRMAN: Is that section agreed to?

We are now on insurance reserve/fund.

Mr. PRITIE: I have just one question, Mr. Chairman. In the last paragraph, under that heading, it says:

However, unless it is possible to increase the annual accrual to an amount greater than the estimated premium cost of outside insurance, the fund will not attain for several years the \$10 million level established by the board of directors.

Is there any suggestion there that you would like to have that amount built up at a greater rate and the board of directors do not agree?

Mr. MCGREGOR: There is no such suggestion there. It is largely a matter of not wishing to put the company into the red in order to rapidly rebuild the insurance reserves because that simply means that the government is building a reserve.

Mr. PRITIE: Where does that amount you put in for insurance each year show in your statement of income? Does it come under flying operations, maintenance, or what?

Mr. MCGREGOR: Yes. We can give it to you exactly.

Mr. PRITIE: I know it is in the report, but I do not see it in the statements.

Mr. MCGREGOR: In 1963 the accrual to the fund was \$3,950,000.

Mr. PRITIE: That is in the report, but your statement of income and expenses does not show it. Does this come under operating expenses?

Mr. MCGREGOR: It comes under flying operations.

Mr. RHÉAUME: Mr. McGregor, just a week or so ago a Viscount ran into difficulty coming into Toronto. Air Canada has no outside insurance coverage,

so that whatever damage there was to the aircraft, which appeared very extensive, will have to come out of your insurance fund, will it not?

Mr. MCGREGOR: Sixty per cent of the craft is insured. We do not know yet what the repair costs of that aircraft will be or whether it will be worth undertaking.

Mr. RHÉAUME: Which is an expensive way to phase them out. The last paragraph of your insurance reserve fund says that the fund will not attain for several years the \$10 million level established by the board of directors. I wonder if you could just explain that. Did the board of directors of Air Canada take a decision that there should be approximately \$10 million available for this kind of coverage?

Mr. MCGREGOR: They did so on management recommendation based on the fact that it is possible, as we have unfortunately proved, to lose a DC-8 in toto, and they were then worth about \$6 million—they are now worth about \$7.2 million. The passenger liability was insured with a deductible of \$1.5 million so it was thought that \$10 million provided a reasonable safeguard against being able to meet the losses associated with a catastrophic loss—such as a DC-8 full of people—of about \$9.5 million. This was the reasoning behind the figure. It is a little ironic that we were just on the point of achieving the \$10 million at the end of last year when the Ste. Therese accident occurred. I would think that if the company did achieve it, it would want to continue with the policy of accruing to the fund what would otherwise be insurance premium.

Mr. RHÉAUME: But no more?

Mr. MCGREGOR: Probably no more. There is not very much point in having a fantastically large fund.

Mr. RHÉAUME: That means, then, approximately three accident free years will have to elapse before you will have built up the fund to the level established by your board of directors.

Mr. MCGREGOR: Yes, unless the insurance policy is changed.

Mr. RHÉAUME: And already one substantial accident has come out of that. Is there any suggestion that management will go back to the board of directors and recommend that the policy be changed, pointing out to them that for practical purposes, unless you show a serious deficit and cut into your other reserves, with complete luck it will require three years to get back to your own level?

Mr. MCGREGOR: Yes. Management has already done so.

Mr. RHÉAUME: Management has suggested that the policy be changed?

Mr. MCGREGOR: Yes.

Mr. HAHN: There have been three serious accidents with T.C.A. in terms of dollar costs as well as of human life in the last number of months. I wonder if you could give us any enlightenment as to the possible cause of the London, Ste. Therese and the Toronto accidents. Is there anything you can tell us?

Mr. MCGREGOR: I would like to begin by saying that you associated human life with the three accidents.

Mr. HAHN: I referred to one only involving human lives.

Mr. MCGREGOR: All I can say is that official investigations under way have not reported yet, and I think it would be wrong for me to try to guess the causes. Nevertheless, I believe I can say that the London aircraft was never airborne and the pilot elected to abandon the take-off attempt at a time when it was impossible to stop the aircraft within the confines of the runway he was on. That I think will probably be found to be the cause of that accident. With respect to Ste. Therese, I have no opinion, and whether or not the department of transport investigation will come up with one or not I do not know.



Mr. GRÉGOIRE: There is no sign of a criminal attempt?

Mr. MCGREGOR: There is no evidence whatever of a criminal act at this time.

The CHAIRMAN: Mr. Hahn, have you finished?

Mr. HAHN: I have one further question.

Mr. MCGREGOR: May I finish answering Mr. Hahn's question? With regard to the Viscount at Toronto, this was a case of engine failure during approach which resulted in the loss of effective power on one side of the aircraft. The aircraft began to adopt a one wing down condition and, frankly, I think it was extremely fortunate that that accident was not more serious than it was.

Mr. HAHN: I have one more question. As a result of the Viscount accident, do you expect to change the amount of insurance or self-insurance or money that you put into the insurance fund this year, 1964?

Mr. MCGREGOR: Not as a result of the Viscount accident.

Mr. HAHN: If the fund went into a deficit position, would you carry it in such a deficit condition?

Mr. MCGREGOR: No. As a matter of fact, there is a letter written by a past minister of transport which says that if the company has in fact accrued to the fund amounts annually equal to or more than the calculated outside insurance premium, the government will underwrite the fund on a temporary basis to the amount that it is in deficit.

The CHAIRMAN: Mr. Grégoire.

(Translation)

Mr. GRÉGOIRE: Mr. McGregor, my question bore precisely on Air Canada policy in the matter of building up its own accident insurance fund. Is the company thinking of increasing its reserves above what it would cost if it were to insure with another company for increased accident coverage?

(Text)

Mr. MCGREGOR: No, our attitude on self-insurance of hull flight risk has been that if, as in the case of the letter to which I just referred a moment ago, the company is protected against being put out of business by a series of catastrophic losses. Then, on the basis of the theory that insurance companies are not in business for the fun of it, it would be better for us to accrue normally to the fund amounts of money that we would otherwise pay in premiums and thus, if we do not deplete the fund by accidents, we have money that would otherwise be in the possession of an insurance company. That is the basic philosophy we have followed.

(Translation)

Mr. GRÉGOIRE: Are there any other airline companies that have their own insurance funds? Do most of the companies have them?

(Text)

Mr. MCGREGOR: Yes, and these policies have changed from time to time. For many years B.O.A.C. followed exactly the same policy except they were also, if my knowledge is correct, self-insuring their passenger liability, and for years we have not done that.

Mr. ROCK: Mr. McGregor, what is the average amount of contribution to the insurance fund? According to your report I believe it is around \$4 million a year.

Mr. MCGREGOR: No, last year it was exceptionally high.

Mr. ROCK: So it is not the same amount every year?

Mr. MCGREGOR: No, it has not been.

Mr. ROCK: What financial responsibility has your company to human life? Are you sued by the families of people who have been killed? If you have to pay these people, does it come from the same fund?

Mr. MCGREGOR: No. As I just mentioned to Mr. Gregoire, we have outside insurance. Our passenger liability, which is what we are talking about, has a deductible with respect to an accident. For instance, the next of kin claims arising out of Ste. Therese will be extremely high, I have no doubt. We are insured against that loss except for the first \$1,500,000.

Mr. ROCK: This is private insurance? You are insured with private insurance companies?

Mr. MCGREGOR: That is right.

Mr. ROCK: Suppose these people also have other insurance, for example if the passenger takes a trip and takes out insurance which he purchases at the counter before flight, do you still have to pay the other amount on top of this?

Mr. MCGREGOR: Yes.

Mr. MACEWAN: On this same matter, Mr. McGregor, you have a deductible of \$1,500,000. I understand some writs have been issued in regard to the accident last November and I take it, having regard to the deductible, the legal matters would be handled mostly by counsel for the insurance companies.

Mr. MCGREGOR: Yes, assisted by our claims department.

Mr. MACEWAN: Assisted by your own legal department?

Mr. MCGREGOR: Yes, that is right.

Mr. PUGH: When was the level of this \$10 million in the insurance fund first established?

Mr. MCGREGOR: Offhand I would say it was 1959 or 1960. I do not mean it was at that level. I mean this was determined as the objective.

Mr. PUGH: That was pre-jet?

Mr. MCGREGOR: It was concurrent.

Mr. PUGH: I take it that this thing comes under survey every year and you still feel that \$10 million is correct?

Mr. MCGREGOR: Yes, but we are a long way from it at the moment, as you can imagine.

Mr. PUGH: Yes. You used the term "hull risk" several times?

Mr. MCGREGOR: Yes.

Mr. PUGH: Does that mean the complete aircraft?

Mr. MCGREGOR: Yes.

(Translation)

Mr. MARCOUX: I have another question; you just said that amounts paid for death benefit insurance came from a private company. You pay a million and a half deductible and after that the insurance company pays. Does the million and a half that you have to pay come from your insurance fund or from operating expenses?

(Text)

Mr. MCGREGOR: No, that comes out of the insurance reserve, Dr. Marcoux.

(Translation)

Mr. MARCOUX: You have no form of insurance against damage to aircraft which might be covered with some sort of deductibility by an insurance company? All your equipment is entirely insured right out of your fund—your own insurance fund?

(Text)

Mr. MCGREGOR: They were, in 1963. We are in the process of changing but we are outside of the area of the report.

(Translation)

Mr. MARCOUX: No, it is the insurance.

(Text)

Mr. MCGREGOR: Yes, but only for 1963.

The CHAIRMAN: Mr. Lachance.

(Translation)

Mr. LACHANCE: Under international agreements, is there not a maximum that may be claimed by the carrier at the time of an accident involving death?

(Text)

Mr. MCGREGOR: Yes, there is a convention.

(Translation)

Mr. LACHANCE: What is the amount?

(Text)

Mr. MCGREGOR: There is a convention called the Warsaw convention which at the present time is under severe criticism, but it puts a limit on claims for an international passenger to an amount in French gold francs which works out to about \$8,500.

(Translation)

Mr. LACHANCE: Which means that the legal heirs of a person who is killed or injured in an accident to an Air Canada aircraft may claim no more than roughly \$8,000?

(Text)

Mr. MCGREGOR: Yes. If he is an international passenger.

The CHAIRMAN: Carried.

Mr. MACDONALD: Mr. McGregor, my question comes under the heading of traffic growth and the promotion of good relationship with Canadian travel agencies. If I might put it in context I would describe a situation in Toronto where a sole proprietor carries on business of a travel agent, and indicates that he has whatever authorization he needs from the various international air lines that fly into Canada except that of T.C.A. which has consistently refused to authorize him. The T.C.A. position was that he would have to raise business up to a certain level before he could get their authorization. He said that if he placed T.C.A. in that position he would not get the 7 per cent, and would have to stop eating; whereas if he placed his international business with other air lines he would get the 7 per cent. I would question the wisdom of such a policy, when he has said that he has placed a substantial amount of overseas traffic with other air lines.

Mr. MCGREGOR: I would question the wisdom of it, but I do not know. The selection of agents is a matter which is dealt with by our sales department. I know they are particularly careful not to appoint an agent in an area which we regard as being well covered by other agents. It would be the old business of spreading one piece of pie too thinly over too many. This is regarded as being unfair to existing agents.

Mr. PUGH: Have you a standard or criterion. Do you pick any size for a particular agency that you give out? For instance, would a long established incorporated company stand a better chance than a sole proprietor?



Mr. MCGREGOR: I am sure that a long established or well established agent would have endorsement by T.C.A. But I do not want to quibble with your question.

Mr. MACDONALD: Why would T.C.A. follow this particular policy, when none of the other major air lines I referred to follow it?

Mr. MCGREGOR: I think most of them do.

Mr. MACDONALD: But they do not seem to, in this particular case. It seems to me that there is a further factor involved here. He does not have your authorization. If he did have it he would be entitled to five per cent on the North American traffic. Do you not think that in view of the fact that you are a national air line you should be prepared to broaden the basis on which you extend agencies?

Mr. MCGREGOR: No, not on that account. I do not see why we should conduct ourselves wrongly just because we are national.

Mr. MACDONALD: Thank you.

Mr. PUGH: I have two things. You say under "Service and Traffic Growth:"

At International Air Transport Association conferences T.C.A. played a leading role in efforts to reduce North Atlantic fares. This endeavour has met with a considerable degree of success and the company is convinced that if it had not been for the stand it took, sometimes alone among the international carriers, the fares probably to become effective April 1, 1964 would be at a higher level.

I am contrasting that statement against the next paragraph which reads as follows:

In general, the domestic passenger fare structure was static. Unhappily, the problem of the transcontinental fare differential between T.C.A. and Canadian Pacific Airlines remained unresolved in spite of the best efforts of T.C.A. to arrive at a solution.

It would appear to me that on the international routes you are trying to cut the fare, whereas on the domestic routes you were trying to maintain your rates as against C.P.A. who had already cut.

Mr. MCGREGOR: Well, not quite. If you will bear with me I will go through the history of domestic fares. T.C.A. did cut fares as of January 1, 1961. C.P.A. did likewise with respect to both the economy and first class fares.

From the results that we both obtained it was obvious that these fares had been cut too much. On April 1 of the next year which was 1962, we adjusted our economy fare upwards. C.P.A. decided not to.

The result was that from April 1, 1962, onwards, T.C.A. had a lower first class transcontinental fare structure than C.P.A., but C.P.A. had a lower economy fare. I do not think it is unfair to state that Mr. McConachie still thinks that they are too low.

Mr. PUGH: That they are both too low?

Mr. MCGREGOR: That both of us are too low.

Mr. PUGH: Yes. I have one further question.

I travel on the T.C.A. and the C.P.A. and I notice for instance in Toronto, going from here to Toronto and getting on their transcontinental flight at 9.35 a.m., with both aircraft leaving at that time, that I cannot reserve a seat in the economy in the T.C.A.

Mr. MCGREGOR: You mean a specific seat designation?

Mr. PUGH: That is right.

Mr. MCGREGOR: Can you do so with C.P.A.?

Mr. PUGH: Yes, but I would not want to leave it with just a yes or no. May I point out that:

T.C.A. recognizes that the ultimate test of the quality of its service is the extent to which it satisfies the public.

When I travel I overhear an awful lot of conversation, and one of the points brought out by those who use both air lines is the fact that when getting on to T.C.A. in Toronto you find that about 15 minutes before flight time there is a general shuffle towards the entrance at which you are going to get on, and they begin to bunch up, and there is a bit of bucking in the queue, and when the gates are opened, and entrances made there is a general stampede for the rear end of the aircraft, and people come bursting in looking for either outside or window seats because they do not like sitting in between. That is only natural. I would say that you could improve your service tremendously if you would take seat reservations on economy flights. I am wondering, for instance, whether any of your people who are looking into the betterment of the service have taken the opportunity to go on a C.P.A. airliner?

Mr. MCGREGOR: Yes. I think the quality of the service and the comments of passengers are very carefully studied. I have said previously in the predecessor to this committee that we undertake surveys for this purpose entirely. I think it is a question of where you bunch up, either at the seat assignment counter or at the gate position. I have stamped around in front of the seat assignment counters wondering whether I was going to make a flight, not having had a seat assigned. It is a slow process which has to be done, one man at a time, with a sticker being put on a diagram. It is a question of where the passenger is going to be inconvenienced the most.

Mr. PRITTIE: I think Mr. McGregor misses the point.

Mr. PUGH: I am only saying I think this is one place where I think T.C.A. might go ahead and provide a better service. If you are a through passenger going from here to Vancouver, in all probability you will have a minimum of an hour or an hour and a half in Toronto before you catch the next aircraft out. The first thing you do is to confirm and get your seat if you are on an air line which will give it to you. From what I have seen on one air line, I think there is plenty of time to reserve seats. Most people arrive there with at least 20 minutes. If they arrive with only five minutes, of course they will get a middle seat anyway. What I am thinking about is the queue which takes place prior to the aircraft leaving. If I am travelling a long distance, I may wish to come in and read a book while I am waiting, but sometimes I see a queue forming up 15 minutes before a flight. On one occasion an aircraft from Montreal was late, there was a general stampede and it was hot. People talked about this after they got on the aircraft. This is why I mention this to you.

Mr. MCGREGOR: I think this is constructive criticism, and we will have another look at it, especially in respect of connections at Toronto from Ottawa.

Mr. RHÉAUME: If I am not mistaken, when the DC-8 came into service, you had seat reservation even for economy passengers.

Mr. MCGREGOR: I will ask Mr. Benson.

Mr. D. W. BENSON (*Assistant Director, Passenger Service, Air Canada*): Yes.

Mr. RHÉAUME: It seems to me the company may have had some reason for changing it in the light of investigation of what the other air lines are doing.

Mr. MCGREGOR: It is possible. I do know I have travelled both ways, with and without it.

Mr. BENSON: On originating flights at point of departure we allow seat reservations. On flights that go through, at any particular point we can make

as many people unhappy as we make happy, because the people who arrive at a point are unhappy if they are not allowed to move to a better seat. They can become very unhappy and say, "I have travelled further than the people boarding here, and I am not allowed to improve my seat".

Mr. MCGREGOR: For example, at Toronto.

Mr. BENSON: Yes. This very often happens at Toronto.

Mr. PUGH: I only point this out, having been unhappy on several occasions, even on C.P.A. I have got out at Winnipeg and changed my seat. I simply would go down to the desk and say I would like to have that seat; I see it is available. They change the old sticker and slap a new one on and I am happy. With your communications as they are today, surely this is a very simple matter, and is an additional passenger service which, I can assure you, will save you a lot of trouble and grumbling, particularly in Toronto.

Mr. RHÉAUME: My line of questioning relates to an interesting news item which appeared about a month ago to the effect that Mr. McGregor was unofficially in Russia to try to set up an Air Canada link to Moscow. The discussions were described as exploratory and informal in an effort to see whether or not the Russians were interested in a Montreal-Moscow link. Can you tell the committee anything about the results of your trip?

Mr. MCGREGOR: I lost six pounds. I had conversations with Aeroflot. I found they were receptive to the idea of a reciprocal service between Canada and the U.S.S.R. I found they knew all the answers and questions in respect of bilateral agreements. I did not mention any quirks they were strangers to in spite of the fact that they do not have many of their own. I think that is about the end of the things I did find out.

Mr. RHÉAUME: As a result of the discussions and the interest they showed in the possibility, is it your policy to pursue this sort of thing?

Mr. MCGREGOR: Whether or not there is a bilateral agreement between the U.S.S.R. and Canada is a matter for the governmental authorities and not for McGregor. I accompanied a group organized entirely without benefit of government blessing, primarily to find out whether the ground appeared to be fertile from the standpoint of the U.S.S.R.'s attitude of mind. I think it accomplished that. It left me in considerable doubt whether or not such a service would be economically sound. No air line in the U.S.S.R. has a business office. All traffic is generated through Intourist. This means that the passenger is given to a foreign carrier by courtesy of Intourist. This may work; I do not know. It was fairly strange to my experience to be completely dependent upon, shall we say, the generosity of a governmental authority with regard to the proportion of traffic you might attract.

Mr. RHÉAUME: I have another line of questioning, but I realize it is almost six o'clock.

The CHAIRMAN: We will adjourn until eight o'clock.

(Text)

#### EVENING SESSION

The CHAIRMAN: Order. I have on my list of questioners the names of Mr. Fisher, who is not here, Mr. Prittie and then Mr. Lachance.

Mr. RHÉAUME: Pardon me, Mr. Chairman, I was in the middle of my questions at the adjournment.

The CHAIRMAN: I am sorry, I did not notice you here, Mr. Rhéaume, and that is unusual for me.



Mr. RHÉAUME: I am very faithful in my attendance.

Mr. MCGREGOR: Mr. Rhéaume, would you permit me to interrupt you?

One or two questions were asked before the adjournment which I believe I can answer now although the people who asked them are not here at the moment. Would you like me to answer them now?

The CHAIRMAN: Is it the wish of this committee that Mr. McGregor answer those questions at this time?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Yes, go ahead.

Mr. MCGREGOR: The first question was asked by Mr. Pugh. He asked which was first, T.C.A. or C.P.A. scheduled out of Toronto at about nine o'clock in the morning. Inquiries would indicate that we have had a flight out of Toronto westbound in the morning between varying times from 8.30 to 10.15 since the days of the North Star service.

Secondly, the present flight that leaves Toronto at nine o'clock is not a proper transcontinental flight but only goes to Winnipeg and there it stops.

The second question was asked by Mr. Nugent in relation to the trans-Canada contract. I should like to read a little bit of the legislation into the record.

As I mentioned, to the minister's apparent astonishment, the Trans-Canada Air Lines Act, reference to which is chapter 268, of the revised statutes, 1952, an act incorporating the Trans-Canada Air Lines, short title, Trans-Canada Air Lines Act, 1937-C-43-S-1, and paragraph 15 says:

The governor in council may authorize the minister to enter into a contract with the corporation (to be known as the Trans-Canada contract) for the organization, operation and maintenance by the corporation of lines of aircraft (to be known as the Trans-Canada Lines) for the speedy and efficient transport of passengers, and goods across Canada—

The first contract in accordance with that authority was completed on June 1, 1937. It was executed on February 4, 1938, and revised in 1946. The reference to that I have in the form of an office consolidation which says:

This office consolidation, which has been prepared by the office of the president of Trans-Canada Air Lines for general information—Trans-Canada contract dated May 4, 1946, as amended by contract dated April 18, 1950 and by contract dated September 1, 1955, also by periodic orders in council.

The effect is that the company does business by virtue of the existence of the Trans-Canada contract which has been authorized by an act incorporating the Trans-Canada Air Lines and, as an aside, I think I should add that from our standpoint it is a favourable document because it instructs us to operate the air line efficiently and this we do our best to fulfil.

In any event I hope that answer will supply Mr. Nugent with the information he desired.

I am sorry to interrupt you, Mr. Rhéaume.

Mr. RHÉAUME: Mr. Chairman, I should like to ask several questions in relation to a particular regional run in operation between Calgary and Edmonton. Before I do so I should like to explore Mr. McGregor's comments in respect of the difficulty of providing an equivalent air bus service between, for example, Ottawa and Montreal or Montreal and Toronto, which was the example he used, involving the use of backup equipment which, as he suggested would be an uneconomical use of such equipment. I am wondering how that statement

can be squared with the fact that Pacific Western Air Lines experience in the Calgary-Edmonton run which I have gathered, from talks with officials of that company, is indicated to be a very happy affair as a new method of transporting people. It is apparently satisfactory to the company and certainly provides a satisfactory service from downtown to downtown. Those officials claim they have never had any difficulty at this specific point. They have indicated they have come very close to having difficulty by being booked right to capacity but have never exceeded it.

Mr. MCGREGOR: My only comment is, I guess, they are either unfortunate in the volume of traffic or fortunate in the fact they have not bumped into difficulty. However, if an air line sets itself up as being prepared to handle anything that turns up, as is obviously required, and it finds it cannot do so it would be extremely embarrassing and unsatisfactory to passengers who were left behind. I think the business of downtown to downtown service is, of course, related to the airports that are being used, and as you know the airport at downtown Edmonton is not being used by our air line.

Mr. RHÉAUME: In terms of passengers I think their experience has certainly not been one of a lack. I believe their record stacks up extremely well in terms of their services from Edmonton to Calgary, and they have every reason to believe in fact that they have generated new traffic. If they have hurt anyone they have hurt the people who would normally drive down. I am wondering whether studies in fact have been made of an equivalent type of air bus service between Ottawa and Montreal or Montreal and Toronto.

Mr. MCGREGOR: Such a study has been made every year for the last six or eight years, and this is the type of service which has been in operation between Boston and New York and even between New York and Miami for a long, long time. I think if anything our introduction of the ReserVec system probably postponed, if not delayed indefinitely, the introduction of such a service by T.C.A. because virtually we can make reservations with the ReserVec service without any additional work load. I would quite frankly say it is just luck if the load related comfortably to the capacity of the aircraft that was operating at 8.30 or whatever time it was operating.

Mr. RHÉAUME: I hope you will correct me if I am wrong, but I think that is exactly what they offer and if there is a greater load than they have capacity for they are ready to charter an executive aircraft to handle that extra capacity. I am sure it would knock hell out of the profit if that happened very often, but that is their backup, using other aircraft available in the area.

Mr. MCGREGOR: I see.

Mr. RHÉAUME: I am wondering whether the new catchy service indicated by the 119 mile and 119 minutes Ottawa to Montreal as phrased by the C.N.R. has cut into your regular Ottawa to Montreal service, or do you know?

Mr. MCGREGOR: I do not think it has.

I have just had a note passed to me drawing my attention to the fact that Pacific Western Air Lines has dropped its Saturday and Sunday flights between Edmonton and Calgary.

Mr. RHÉAUME: What would that fact indicate to you?

Mr. MCGREGOR: I would guess this has been done because of the lack of traffic.

Mr. RHÉAUME: That answer leads me logically to my next question. Is Air Canada or Trans-Canada prepared to consider negotiating itself out of the Calgary-Edmonton run which is now being serviced by larger aircraft?

Mr. MCGREGOR: I would not think so. As a matter of fact, during all the discussion about the prairie milk run it stood out as the one leg that was financially satisfactory. Furthermore, we must maintain and provide connection

between Edmonton and Calgary so far as transcontinental operations are concerned because, as you know, some go through Calgary and some through Edmonton. We provide a very much better service to transcontinental passengers by moving between the two major airports.

Mr. RHÉAUME: So that when you were withdrawing from prairie service, for instance, you did so in principle because of the configuration of the rest of your fleet, and you desired to get rid of certain equipment which was not going to be used at these other airports, or was it simply because you were losing money? I notice at page 9 of your brief the statement that because of the poor aspect and so on you negotiated a transfer to Trans Air.

Mr. MCGREGOR: This withdrawal was necessitated because of the capacity of the airports in relation to the size of our aircraft, and we were eventually thrust into the position where we were operating two orphan DC-3's because they were the only aircraft that could get into these airports. At that time we held no hope that these runways were going to be increased in bearing strength and runway length to accommodate the Viscount, and we must have said dozens of times during those hearings that while we admitted freely the air line economically is not prepared to continue to operate it, if anyone would make the airports available to our aircraft, we would.

Mr. RHÉAUME: And, you would want to keep these even short runs that are returning \$1 for two reasons, first, because of money and, therefore, the economics of it and, second, you need them as a feeder. Is that a fair statement to make?

Mr. MCGREGOR: Yes, that is a fair statement.

Mr. RHÉAUME: There are two major reasons.

Mr. MCGREGOR: Yes.

Mr. RHÉAUME: Would you agree on the basis of last year's experience that T.C.A. is too big for short hops.

Mr. MCGREGOR: Well, 40 odd per cent of the total operations of T.C.A. is short hop, so we are not too big for it.

Mr. RHÉAUME: I am speaking of the press statement, not that you did not guess, quoting a minister of the crown to the effect a regional job cannot be done by a national organization such as Trans-Canada Air Lines. I am putting this to you, on the basis of the year which we are studying, the revenue your company received from short runs and the kind of performance and service you offered, is this true?

Mr. MCGREGOR: No. It is a pity he is not here. I disagree with that statement entirely. As a matter of fact, when the prairie milk run contest started there was not one regional type carrier that had not required a subsidy as big as our declared deficit on that run. So, I do not think that in that type of operation they are a bit more efficient than we are.

Mr. RHÉAUME: I will have to wait until we reach "outlook" before I put any other specific questions. But, your experience is that you too are able to do the regional job as efficiently as they did it.

Mr. MCGREGOR: Just as badly as they do.

Mr. RHÉAUME: Or, just as well.

Mr. MCGREGOR: Yes. That is our experience. Now, do not miss this point; when the operation is of a character that does not fit our smallest aircraft then we are in real trouble, as we were on the prairies, where we had to continue to operate D.C. 3's which, seat milewise, are about as inefficient as anything we know. And, furthermore, when you get down to two aircraft of a type in a fleet you are in serious trouble.



Mr. RHÉAUME: I am accepting at face value your statement that if it comes to a contest you can operate Viscounts or Vanguarders in any one area, taking into consideration the size of Air Canada and the fact it is an international air line, in such a way that this does not prevent it from doing regional jobs.

Mr. MCGREGOR: I contend that very strongly.

Mr. RHÉAUME: On page 11 you make the statement:

In general, the domestic passenger fare structure was static. Unhappily, the problem of the transcontinental fare differential between T.C.A. and Canadian Pacific Airlines remained unresolved in spite of the best efforts of T.C.A. to arrive at a solution.

I want to ask you if the proposals you were making to C.P.A. at that time involved both of you charging the higher rate on the economy and first class fares, and what were the offers if you were going to resolve this. Were both to go up to the higher of the two.

Mr. MCGREGOR: The offers were that C.P.A. would meet us, that we would meet C.P.A., and that we would meet half way on both fare differentials. They would bring down their first class fare half way to ours and we would move up our first class fares half way to theirs and vice versa with economy. The C.P.A. reaction to that was that "if we are charging the same fares at your level, which we think is the lesser of two evils, we will lose some traffic and, therefore, money. If you come down to our fares, we will drop another 10 per cent. We do not like the midpoint because it has all the bad features of both solutions; not only is the fare level lower but also we are equalized."

Mr. RHÉAUME: Well then, it says here words to the effect that your efforts met a stone wall.

Mr. MCGREGOR: Up until two or three weeks ago.

Mr. RHÉAUME: The plot thickens. This would be in respect of the axe that is being lowered. Would I be correct in assuming that the outlook may be getting considerably brighter than has been the case in respect of your past year's experience?

Mr. MCGREGOR: I would like to think so.

Mr. RHÉAUME: Who was handling these talks in 1963?

Mr. MCGREGOR: Up to the moment, Mr. McConachie and myself in 1964. I beg your pardon; you asked who was handling these talks in 1963. In 1963 it was a team from each of the two traffic departments and its vice presidents.

Mr. RHÉAUME: You said in reply to an earlier question that it would be you and Mr. McConachie pretty much who were managing the negotiations currently.

Mr. MCGREGOR: Currently, but changing tomorrow, I should add. I think I did talk about the traffic teams meeting in Vancouver on the 23rd.

Mr. RHÉAUME: I will pose one more question to you and I would like to get your comment on it. This will be my last question. As you probably are aware, members of parliament have identification cards which allow them to travel for nothing on the railways. Has there ever been any consideration given by your company to some method whereby inasmuch as the aircraft has replaced the train for purposes of transcontinental travel, at least the same sort of thing might be advisable, not only from the point of view of getting your legislators across the country but from the point of view of consolidating the real value and the impact that your travel is making. Have you given any consideration to that?

Mr. MCGREGOR: Well, Mr. Rhéaume not only was consideration given, which I do not think was an air lines consideration particularly, but an arrangement was put into effect four or five years ago under which each member of

parliament was to be given through the Speaker, a round trip pass and, if there was a second session in the one calendar year, a second pass, with a third one being a question mark, between Ottawa and the nearest airport to his constituency. Then on many occasions in these committee hearings were discussions about travel on a space available basis; this I quarrelled with very strongly because the idea of confronting 15 or 20 members of parliament on a Friday evening at the airport here with a flat turndown did not appeal to me.

This seems to me to be looking for trouble. So a great deal of thought and some experiment have gone into that area.

Mr. RHÉAUME: But the sort of thing that you are suggesting falls an awful lot short of a person getting on a train or on a plane and presenting a pass. There is quite a bit of difference between having a specific pass that you have to sign and carry with you and making all the arrangements, and just having to get a travel warrant. I am suggesting to you that if in fact the air lines are going to compete with other forms of transportation, this is the sort of thing that should be presented, I would think, to the Speaker, T.C.A. not necessarily picking up the cost.

Mr. MCGREGOR: I could not agree more. Each time it was discussed I have said something like this. The running of the country is probably the most important business that we know of, and I do not know of any business that does not provide its officers with free transportation for business purposes. I have always felt this way, and I am all for it.

Mr. RHÉAUME: So that from your company's point of view it would not be you who are standing in the way?

Mr. MCGREGOR: Certainly not.

Mr. RHÉAUME: You are probably aware that under the new legislation passed last fall members of parliament are entitled to get economy air fare passes on request, or at least travel warrants on request. This, of course, is quite different from being able to travel, say, anywhere in Canada. But from your point of view, as an operator of one of the world's major air lines, you would like to see this sort of traffic developed on your system, would you?

Mr. MCGREGOR: Revenue traffic?

Mr. RHÉAUME: Under the same arrangement as on the railway. If a member of parliament gets on the railway, would he bring in revenue or not?

Mr. ROCK: They do not bring in revenue.

Mr. RHÉAUME: You would not be anxious for this sort of traffic if it did not bring revenue?

Mr. MCGREGOR: That is right.

Mr. HAHN: Mr. McGregor, I would like to look first of all at the domestic travel picture last year. According to the report the indications are that the North American passenger growth was less than two per cent. In looking at the report of the United States companies—I have the T.W.A. report—I see that the improvement was largely due to sharply increased load factor with a six per cent increase in the domestic seat mile figure. What difference is there between Canada and the United States?

Mr. MCGREGOR: They are always between 2½ and three years ahead of us in these trends. We are beginning it this year.

Mr. HAHN: So that we are catching up?

Mr. MCGREGOR: They caught the red figures considerably sooner than we did with the serious drop off in traffic, and their recovery was correspondingly ahead of us.

Mr. HAHN: My next question deals with overseas traffic. I could not find in the report any specific reference to your scheduled overseas traffic, whether

or not it increased. Certainly your charter traffic increased eightfold, and it is now a third of the total Atlantic passenger traffic. Was your schedule passenger service, transoceanic up or down, affected by the charter travel?

Mr. MCGREGOR: In 1963 it was not very encouraging, if I remember. The revenue passenger miles, which is the best indicator, in 1963 over 1962 were up 2.1 per cent. Again, this year it has been very much better, as one would expect with the reduction in fares. I should point out, with respect to the North American growth, that we were dealing with differing tariffs and we had a tremendous growth in 1961 when we reduced the fares, and that automatically slowed down the relationship to succeeding years. For a true comparison on what is happening to the travel habits you should have left the fares alone.

Mr. HAHN: My next question is: Do you keep any figures on your percentage of share of traffic in competition with other carriers?

Mr. MCGREGOR: Yes.

Mr. HAHN: If so, what is happening to Air Canada in the North Atlantic? Are you holding your share of the industry or are you gaining or losing?

Mr. MCGREGOR: I think we are losing. Perhaps it is not surprising because there have been about three other carriers put on the route. In 1963, T.C.A. had 53.4 per cent as a load factor. In 1962 it was 53.8 per cent, so we lost .4 per cent.

However, you are asking another question. I think we have the percentage of the total. Westbound T.C.A. has 34.9 per cent of the total; eastbound it has 36.5 per cent, which probably means that the nationals of Canada are more apt to go by T.C.A. than other lines.

Mr. HAHN: Does this include your charter traffic or just your scheduled traffic?

Mr. MCGREGOR: Charter is excluded.

Mr. HAHN: What share of the charter business are you getting?

Mr. MCGREGOR: In 1964 I think our share is down because, frankly, we are short of two DC-8's that we would otherwise be operating.

Mr. HAHN: I have one other question that is unrelated and which I started to ask under "financial" but maybe it fits in here. It deals with load factors. On your hauls to Montreal, Toronto, Ottawa, trans-border flights to New York, Chicago, and on all those specific flights, those heavily travelled areas, do you run a pretty high load factor?

Mr. MCGREGOR: It varies, of course. I will give you the figures: Seattle is low, 46.6; Cleveland is 54.4; Chicago is 64.7; Toronto-New York is 66.7 per cent; Montreal-New York is 64.9; Boston-Halifax is 58.5. The average for the total is 64.0.

Mr. HAHN: When you get up around the 60 per cent factor on these flights are they profitable?

Mr. MCGREGOR: Generally speaking they are. You say 60 per cent; on these short ones I would prefer to say 65 per cent as being closer to a break-even operation.

Mr. FISHER: I want to bring up, first of all, an issue that Mr. Cowan has raised in the house in connection with the limousine service at Toronto airport. I know it is not your responsibility, but Mr. Cowan is anxious and he is interested, just as I am, in having an opportunity for passengers to pick up the taxi service there. My reason is twofold; one is that I think it gives a cheaper service—in fact I know it does—and also, in my experience, it is a handier service. As far as I am concerned, the same situation prevails in Montreal. I



have often felt that the taxi service is much cheaper and it is more competitive. Is there any contribution that T.C.A. can make to this particular investigation in so far as a recommendation is concerned?

Mr. MCGREGOR: My understanding of the situation is that taxis may operate to the airport, but under the Department of Transport regulations they may not cruise or park at airports. The only contribution I can think of would be for us to make recommendations to the D.O.T. that we think the interests of our passengers would be better served if public taxis were available at the airport. This is an area that I do not like to get into because there are rules about using provincial highways between airports and city limits where taxis have to have provincial licences, and it is pretty darn tricky.

Mr. FISHER: The question I am interested in is in getting cheaper service for the travelling public than they get from the limousine service. Some limousine services at airports are pretty marginal operations, although they are not at major airports, and I do not see why you can get a taxi into an airport or out of an airport for \$5 while you pay up to \$8 or \$9, depending on where you are going, Toronto or Montreal, for a limousine service. I do not see that the quality of the service is so much better that it warrants such a difference. I am curious to know where T.C.A. stands on this thing because it seems to me, in terms of the traffic service, it is still part of your responsibility.

Mr. MCGREGOR: Inasmuch as it is part of the welfare of the passenger in getting from A to B, we are very interested in it. I do not know that there is an awful lot we can do in this area unless the city limits extend to the airport; and then the provincial highway angle goes out of the window, I suppose. Would you like to comment on Ottawa? You must have had fair experience here.

Mr. FISHER: I think the same thing applies to Ottawa.

Mr. ROCK: Take Montreal.

Mr. FISHER: Montreal and Toronto seem to me to be the two places most concerned.

Mr. MCGREGOR: I know Toronto has a zoning arrangement that gets darned expensive when one gets northeast. I would ask Mr. Benson if the same thing applies in Montreal.

Mr. BENSON: I do not believe so with respect to the Montreal taxis.

Mr. MCGREGOR: We are thinking about Murray Hill.

Mr. ROCK: They are very expensive compared to the other taxis.

Mr. FISHER: They have both the air bus and the individual services which in effect are taxi services. It is the taxi service in most cases about which I am really complaining rather than the air bus service.

Mr. MCGREGOR: I think we must say that with an agreement with an organization such as Murray Hill it is unlikely that there will ever be periods when there is no service. I do not think I have ever arrived at Dorval at a time when there was no Murray Hill vehicle there. This requires a certain amount of equipment and standing by, and if one were completely dependant upon the meter, catch-as-catch-can taxis one would find there would be no vehicle there at one o'clock in the morning and so on.

Mr. FISHER: I was looking at it from the point of view that with competition we might get the fee down.

There is another point in connection with the airport services for travellers that I would like to mention. The Department of Transport has recently—I think within the last 18 months—brought in a new arrangement with U-drive cars. Formerly at smaller airports there was a flat fee but they have moved into a percentage of the gross. Here again I wonder whether T.C.A. has any views upon this from their experience. I look upon these U-drive services as very

much an auxiliary part of air travel; I do not like to see anything that puts up the cost. That is one reason why I object to this. I wonder if you have made any study of the number of passengers who have used U-drives and, if so, whether there cannot be any concerted way of keeping all these fees down.

The reason I raise this point, as you probably know, is that a number of new firms have started in the U-drive field and are offering cars at as low as 60 per cent of the going fares of the big three in Canada. However, it is difficult for these new people to get into airports because, again, of the percentage of the gross and the requirements for fairly large staffing. I do not want to undermine the position of Hertz, Avis or Tilden, but if there were more competition in U-drive services to the airports it seems to me that travellers would get a better bargain.

Mr. MCGREGOR: I am no expert on the U-drive subject and I do not think we would have any record of the number of our passengers who get off an aircraft and go to a U-drive counter and hire a car. I do not see just how we might get that information, but I know perfectly well that the arrangement between the Department of Transport and the taxi companies—the contract taxi companies—is based upon a percentage of the gross. All I can hope is that it is not as expensive for them as it is for us to do business at terminals.

If I am not digressing, Mr. Chairman, I would like to quote some figures here. Montreal, Toronto, Winnipeg and Edmonton have all recently had large new terminals go into effect. Our annual rental charges at Dorval are \$301,000 per year for space in the terminal; at Toronto, \$304,000; Winnipeg, \$147,000; Edmonton, \$43,000. Then there is another little device called a user charge; this is new. This is for the privilege of moving passengers through the terminal as distinct from the space that we rent. At Montreal it is \$148,000; Toronto \$235,000; Winnipeg, \$47,000; and Edmonton, \$30,000. The total of those four places is \$1,255,000 a year plus landing fees of \$3,463,000 at those four places. All this stacks up against a pre-new terminal total charge of \$168,000 for rent, plus landing charges.

Mr. ROCK: That is because it takes longer to walk now!

Mr. MCGREGOR: That is right!

Mr. FISHER: Have you heard anything about any likelihood of introducing or any talk of introducing what one encounters at so many European airports, a specific user charge paid by the passenger?

Mr. MCGREGOR: No, I do not think that head tax idea has been thought about here.

Mr. FISHER: In effect, you are paying the head tax in the user charge. I would like to suggest in this area of transportation to and from the airport, and the whole question of baggage facilities, that in the one the cost could be cut down and in the other the service could be improved, particularly in time, in most of the places in which I have been. I would appreciate it if the next time you come before the committee you could give us some indication that you have looked at this to see if there is anything T.C.A. can do toward decreasing the cost and shortening the time.

Mr. MCGREGOR: Yes. I do not know about the cost, but I think I should say that in the matter of time our sad experience has been that the less modern the facilities the faster the baggage handling time. In fact, I believe Montreal was down to an average baggage delivery time to something like  $4\frac{1}{2}$  to 5 minutes until the new terminal came into being, and I guess it is close to 10 minutes longer than that now. Some of this is due to automation, which is not an unmixed blessing.



Mr. FISHER: I do not know whether this is the place to bring up this matter, but I would like to ask you something about the TransAir deal. I would like to know what the value was of the Viscount that exchanged hands.

Mr. MCGREGOR: It was some proportion of a dollar because the dollar covered the Viscount and two DC-3's.

Mr. FISHER: What was your book value?

Mr. MCGREGOR: I would think something in the order of \$220,000.

Mr. FISHER: As you probably know, the government air line in Saskatchewan has had communication from one of the officials who was not so much critical of Trans Canada Airlines' role in the deal but suggested that if that particular kind of arrangement that actually developed had been offered or had been open to the other carriers who were interested there would have been a great deal more interest in the matter. I just wondered whether T.C.A., at the time the deal was being worked out, initiated any discussions with any other carrier.

Mr. MCGREGOR: I do not think we initiated any. We were convinced that TransAir was in a better position to operate those routes and for some reason, somewhat to our surprise, they seemed to be more interested in it. At last year's committee, as you may remember, Mr. Fisher, I said I thought this was one of those happy associations where everybody seemed to be content. However, it turned out that the contentment of TransAir did not last very long. It was not many months old before they applied for authority to abandon the western half of the southern so-called prairie milk run, and were so authorized.

Mr. FISHER: Where does the responsibility lie if such an arrangement should break down in so far as the value of the transaction that was involved is concerned in getting out of that particular operation? You gave certain considerations to TransAir. Now, TransAir undertook certain obligations. TransAir has pulled out of part of those obligations. What does this do to the value of the transaction that you entered into?

Mr. MCGREGOR: It really does not do anything. The commitment of TransAir was to operate the route, or the two routes as we then knew them, or such variation thereof as was authorized by the air transport board. So TransAir very naturally has protected themselves against any accusations of being in default of the contract by seeking authority from the air transport board to abandon the route west of Regina. They got it and did it quite legally and legitimately. This left T.C.A. lacking an operation that was costing us \$300,000 a year. This we could afford to be without.

Mr. FISHER: I think it was good business from T.C.A.'s point of view. But I was curious about the value of the transaction and the role T.C.A. might have played in it.

Mr. MCGREGOR: We had no idea—despite the fact that we had revealed our traffic figures completely to TransAir—we had no thought in our mind that they might discontinue part of the operation. I do not think they would have done it if they had not been given an idea by the fact that one of the airports went out of service automatically because of spring conditions. So they said at the air transport board:—“We cannot operate into these places”, and the air transport board said that they understood. This may have given them the idea to apply officially for the cut-off.

Mr. FISHER: You are a government corporation operating very much like a private corporation. You enter into arrangements approved by a government board for which you give certain values to protect the corporation in return for a release from an obligation. The carrier does not live up to the obligation, and the air transport board O.K.'s it. And the value, the consideration, let us



say, that led to the original deal so far as those of us in parliament can see, is completely left out of account. There was no seeking or direction from any public interest.

Mr. MCGREGOR: I do not think there ever was going to be. But we had applied to have abandonment of the whole route. I do not think that the air transport board could have gone on forever denying us that right, because they were in a very embarrassing position. They did not provide airports capable of handling our aircraft. We were losing money, and they could hardly insist and say you must continue to operate. I do not think so. I think that the communities along the prairie milk run, so called, are better off with what service they are getting, which is between Winnipeg and Regina, and Regina to the north.

Mr. FISHER: I cannot pin the responsibility on T.C.A., or tie it in to the contract that was entered into. Was there any discussion about putting a rider in the contract that there would be a return to T.C.A. of some of the equipment, if TransAir did not live up to the contract?

Mr. MCGREGOR: Yes, the penalty was \$500,000 payable by TransAir to T.C.A., as it then was, or a proportion thereof if they abandoned the operation. I do not think that they or we thought of the penalty as a condition of partial abandonment.

Mr. FISHER: What has happened to that clause? Has it been affected?

Mr. MCGREGOR: They have done nothing contrary to the contract. It also says that they must operate in accordance with the authority of the air transport board.

Mr. FISHER: So if we are going to pin any responsibility for the fact that no money came back to you, it would have to be pinned on the air transport board?

Mr. MCGREGOR: I think it would be more true to say that if you tried to pin responsibility for the fact that areas west of Regina are not being serviced, that is true. It would be the air transport board. And if we had had to keep on, it would have been the same answer, I would hope.

Mr. HAHN: What about the three aircraft involved? Are they still owned by TransAir?

Mr. MCGREGOR: To the best of my knowledge, yes.

Mr. HAHN: Are they being utilized for that part of the service?

Mr. MCGREGOR: I do not know about the DC-3s, but I do know about the Viscount, because part of the deal was that we would maintain the Viscount, and we are still required to do it.

Mr. HAHN: They are flying it on that part of their route?

Mr. MCGREGOR: I do not think they are flying it on that part of their route. I do not think they can, because the airports are not available for it.

Mr. PRITTIE: What was the loss on the Vancouver to Victoria run last year, and what were the load factors?

Mr. MCGREGOR: The answer to the first part of your question is \$785,000; and the load factor was 52 per cent.

Mr. PRITTIE: Thank you. In reply to a previous question about this I think you stated that all, or practically all, of the short runs have lost money, but are maintained for the purpose of feeder service for the main line in many cases. You are down to six flights a day from Vancouver to Victoria except on Sunday, when it is five, I believe. What is the minimum to which you can go? This is a very large figure, \$785,000, with a load factor of 52 per cent. You must have similar runs such as Vancouver to Seattle, Halifax to Moncton, and Regina

to Winnipeg, where there is considerable loss in the way of load factors. How many runs a day do you make, and how do they compare, because this is quite a large amount of money as far as your total goes.

Mr. MCGREGOR: I do not think there is any rule of thumb in this area. We have operated routes as low as 5 flights a week. But we are in business to move passengers and goods and we try to meet traffic demands over all. An annual load factor of 52 per cent probably means that many flights are going out full, particularly on Fridays and Sundays. I do not think it is proper to say how infrequently you will operate.

Mr. PRITTIE: Yes. It is not correct to say that all of them are a loss operation in financial terms. From Vancouver to Seattle you have three flights a day. Do you maintain those for the same reason, in connection with the main line, or are there other air lines operating there too?

Mr. MCGREGOR: No, we operate them for two reasons. First of all, these are continuations of Vancouver to Victoria flights, and we do not operate directly between Vancouver and Seattle, unfortunately. But there is traffic on both legs; there is a substantial amount of traffic in the right season of the year between Seattle and Victoria, and this we feel ought to be served. It is in the bilateral agreement that this route belongs to Canada, and we would be loath to discontinue it for that reason.

Mr. PRITTIE: I think the main point of what I have been considering is the fact of \$785,000 a year which is a very great loss, with a great deal of alternative service; and you have six flights a day. Granted that you must keep a certain number for main line connections. I wonder if six flights are not too many in view of the demand?

Mr. MCGREGOR: I think you may be right.

Mr. PRITTIE: This all adds up, and in other parts of the country I am sure it is not too popular. It seems to be a very great sum of money.

Mr. MCGREGOR: We have "better" losses than that.

Mr. PRITTIE: For example, where?

Mr. MCGREGOR: I can give you several. Newfoundland, \$1,145,000; Montreal to New York, \$784,000. Mr. Harvey has drawn my attention to the fact that these losses include the agreed proportion of our overhaul bases and general overhead—his salary and mine, and so on. The abandonment of any one of these operations, I trust, would not reduce either of these figures.

Mr. PRITTIE: I have one other question with relation to the question Mr. Rhéaume asked about Calgary and Edmonton. Is it fair to say that a smaller operation such as T.W.A. has a smaller overhead? Would this be a factor in the frequency of service and the cost of operation from Calgary to Edmonton?

Mr. MCGREGOR: I really do not think so. I think those factors are an offset to some degree, but it is more a matter of what we refer to as the advantage of scale. We are operating 39 Viscounts, and I believe our over-all cost per Viscount and Dart engine, and so on, is considerably smaller than would be the case with an air line operating two or three of them.

*(Translation)*

Mr. LACHANCE: Mr. McGregor, I understand that only Air Canada and Air France operate the passenger service between Montreal and Paris. They are the only companies who operate a passenger service under an agreement.

*(Text)*

Mr. MCGREGOR: That is correct, on direct flights.

(Translation)

Mr. LACHANCE: Now, is it not true that the percentage of east bound passenger flights is 70% for Air France and 30% for Air Canada? In other words, the percentage of passengers carried by Air Canada is 30%, and the percentage carried by Air France is 70%, between Montreal and Paris, approximately at least.

(Text)

Mr. MCGREGOR: We will check our figures.

(Translation)

Mr. LACHANCE: The percentage of passengers moving between Paris and Montreal by Air France and Air Canada. I cannot comment on your figures now. The percentage of passengers carried to Canada from the whole of Europe is, Air France 7.6 and T.C.A. 34.9.

Mr. MCGREGOR: Do you mind telling me the source of your figures?

Mr. LACHANCE: This is from a friend of mine.

An hon. MEMBER: Explain.

Mr. LACHANCE: Could these be the right figures: 30 per cent for Trans-Canada and 70 per cent for Air France from Montreal to Paris?

Mr. MCGREGOR: I would not think so. It might be as high as 40-60. I do not know of any route where we are on a straight reciprocal basis in which we are far off sharing about half the traffic.

(Translation)

Mr. LACHANCE: Could you find out in the next few days and tell the committee what the percentage is between Montreal and Paris? Now, if the ratio is 70-30, as I said, or even 60-40, why do Air Canada carry fewer passengers than Air France between Montreal and Paris? Should it not be the other way round since Air Canada is a Canadian company and should be given more publicity in Montreal than Air France?

(Text)

Mr. MCGREGOR: I would not be sure of that at all. Their publicity is very strong. Anyway, I would like to see the figures.

(Translation)

Mr. LACHANCE: Now, Mr. McGregor, if that is true, as I think I have seen for myself, would it not be because there are not enough French-speaking employees on the Air Canada aircraft between Montreal and Paris? It seems to me this is a fairly logical question.

(Text)

Mr. CROUSE: Oh, Oh!

Mr. MCGREGOR: There are no cabin staff on the flights who do not speak French.

Mr. BENSON: That is correct.

Mr. MCGREGOR: None. Buy a ticket and try it.

Mr. LACHANCE: I have.

Mr. MCGREGOR: And you have found no French in the cabin?

Mr. LACHANCE: I do not say I have found no French, but the proportion that spoke French was not very large on some flights.

Mr. MCGREGOR: Mr. Benson would like to speak to that.

Mr. BENSON: Effective May 1, this year, on all flights to continental Europe—flights to Paris or other points in Europe—the attendants are bilingual and



one of the stewardesses is trilingual, speaking German as well as English and French.

(Translation)

Mr. LACHANCE: No, but you must recognize, Mr. McGregor . . . your remarks gratify me and I understand that for some time now, since May, things have improved. Yet it must be recognized that the percentage of French-speaking travelers in the province of Quebec is large enough to affect the revenue of Air Canada and I think it would be in that company's interest to make the most of the fact, namely, that there is a very considerable passenger potential in the province of Quebec. I know of a number of people who would have preferred to travel by Air France on various occasions, at least in the past, because of this situation.

(Text)

Mr. MCGREGOR: Even the mayor of Montreal does.

Mr. GRÉGOIRE: Even the mayor of Montreal does what?

Mr. MCGREGOR: Takes Air France on occasion.

(Translation)

Mr. LACHANCE: So will you provide us with the percentage between Montreal and Paris tomorrow, Mr. McGregor?

(Text)

Will you give us those figures from Montreal to Paris for Air France and T.C.A.?

Mr. MCGREGOR: I do not think I caught the first part of your question.

(Translation)

Mr. LACHANCE: Could you supply us tomorrow with the figures concerning the percentage of passengers travelling by Air Canada and Air France between Montreal and Paris?

(Text)

Mr. MCGREGOR: Yes, I am sure I can.

Mr. BASFORD: I would like to refer to page 9 of the report and the remarks about air cargo. What effort does the company make to develop markets for the products which might be transported by air?

Mr. MCGREGOR: Well, it is quite a question. I know of no stimulative effort we could apply which we do not. We advertise in all the trade magazines. We develop what are known as commodity rates to stimulate traffic. You may have read a good deal about a tremendous program we put on a few months ago to move Pacific coast fish east in Canada. This met with a tremendous amount of success. We have developed a market, particularly in France, for east coast lobster, and lately have flown tons of lobster to France. I know of no stone we have left unturned in an effort to develop cargo, and this probably accounts for the percentage of growth.

Mr. BASFORD: I was particularly interested in the west coast fish.

Mr. MCGREGOR: I thought so.

Mr. BASFORD: How is that working out?

Mr. MCGREGOR: Well, I have not had a report for the last few weeks, but they were most enthusiastic with the reception.

Mr. BASFORD: Is there any need for a change in the fishery regulations pertaining to the type of fish which can be transported?

Mr. MCGREGOR: I think perhaps there is a need for some change there but I am not an expert. I think there is a need for the ability to accumulate

a shipment. It has happened more than once that arrangements have been made for a great deal of space, however, the fish are not biting or something and they do not arrive at an assembly point at the right time. These commodity rates are based on larger volume shipments. It is most desirable from the air transportation standpoint that if a commitment is made for space, it is used.

Have you any ideas about the breeds and types of fish involved?

Mr. BASFORD: I did not catch one word you used.

Mr. MCGREGOR: I said, do you have any idea about the specific type of fish that would be more popular in the east?

Mr. BASFORD: I was thinking of salmon particularly transported to the United Kingdom.

Mr. MCGREGOR: You were speaking of salmon transported to the United Kingdom?

Mr. BASFORD: Yes.

Mr. MCGREGOR: Do you have fresh salmon in mind?

Mr. BASFORD: Yes.

Mr. MCGREGOR: The United Kingdom does have very good salmon of its own, you know.

Mr. BASFORD: There have been experimental flights transporting fresh salmon to the United Kingdom which was sold there like hot cakes.

Mr. MCGREGOR: From our standpoint, we are well willing to move cargo because in respect of Air Canada any cargo that is moved is a semibyproduct of passenger transportation and, therefore, it is extremely profitable.

The CHAIRMAN: Mr. Matte?

Mr. BASFORD: I have not completed my questions, Mr. Chairman.

As you are no doubt aware, the Department of Transport maintains some V.I.P. aircraft for the transportation of ministers and other individuals. I wonder whether Air Canada has ever offered a proposal to the government to provide to the government the same sort of service in respect of V.I.P.'s that the Department of Transport aircraft now provide.

Mr. MCGREGOR: I do not know exactly what the Department of Transport provides, and you refer to the same sort of service. We have offered, and in fact on occasion have chartered aircraft to the government for various V.I.P. travel. We were fortunate enough to be able to fly the Queen Mother to Canada a year or more ago and so far as I can make out from the communications I have received she and her party were quite satisfied.

Mr. BASFORD: I am not asking the following question because I happen to live in the area, but are you aware of the type of arrangement that exists between B.O.A.C. and the United Kingdom and Europe?

Mr. MCGREGOR: Yes, with respect to royal flights I am.

Mr. BASFORD: Yes, and these royal flights obtain for B.O.A.C. millions of dollars worth of publicity; is that right?

Mr. MCGREGOR: They have always been alleged to do so, yes.

Mr. BASFORD: Would that situation not also exist in respect of Air Canada?

Mr. MCGREGOR: Not likely, no.

Mr. BASFORD: Why would this not be true also in respect of Air Canada?

Mr. MCGREGOR: It would not be true because the services provided cost about four times as much as B.O.A.C. receives in return.

Mr. BASFORD: These services cost B.O.A.C. about four times as much as it receives in return?

Mr. MCGREGOR: Yes.

Mr. BASFORD: Why does B.O.A.C. provide that service in that event?

Mr. MCGREGOR: I guess perhaps they are told to do so.

Do you know what is involved in one of these flights? It is different now but in the past in respect of piston engine aircraft the experts drew a curve of engine failure history in relation to time since overhaul, they took two aircraft and put eight engines, four each, at the low engine failure portion of the curve. They completely refitted the interior of two aircraft and hid one behind a hangar refueled and put on the ramp for the party. That is the one that went on the trip but if anything went wrong they rolled out the other one. This system is not a cheap system.

Mr. BASFORD: Do I take it B.O.A.C. provides this service for nothing?

Mr. MCGREGOR: I do not think so.

Mr. BASFORD: If T.C.A. or Air Canada received some financial payment from the government less than what it cost to maintain the D.O.C. fleet would this be a worth-while operation both to Canada and to Air Canada?

Mr. MCGREGOR: I do not think the D.O.T. fleet has ever been involved in one of these long range operations of which we are speaking.

Mr. ROCK: The R.C.A.F. is involved.

Mr. BASFORD: Most of the aircraft involved are domestic.

Mr. MCGREGOR: The Department of Transport owns a Viscount or two and a Jet Star, something small and fast, but it is not involved in the long range business.

Mr. BASFORD: In your opinion it is worth while to the government to maintain the Department of Transport aircraft?

Mr. MCGREGOR: I do not know.

Mr. ROCK: That is a good answer.

Mr. BASFORD: Do I gather from what you say that Air Canada certainly would not want to maintain this service?

Mr. MCGREGOR: We would be quite willing to charter a flight to the government any time it wants us to do so, and we have offered to do so. We even at one time offered to maintain a long range aircraft on a comparatively short notice basis. We would not want to receive a call for such an aircraft tonight to fly the Prime Minister to England tomorrow but we would be quite prepared to keep an aircraft at semireadiness if we were given a week or two weeks notice of its requirement, and we have said so.

Mr. BASFORD: I take it from your answer you would not like to receive a call at nine o'clock in the morning to deliver the Secretary of State to Delhi?

Mr. MCGREGOR: No, but I would not mind delivering him to Washington, at short notice.

Mr. BASFORD: In your answers to questions asked by Mr. Fisher this afternoon I understood you to say that the problems raised by your commitments under interlying agreements which worked to the disadvantage of T.C.A. had now been solved, is that right?

Mr. MCGREGOR: I do not think that is too broad a statement, except it does not take the reciprocity into account. These problems work in both directions. We are set against C.P.A. in the matter of trans-Pacific traffic and they are set against us in the matter of trans-Atlantic traffic. The agreement in principle which I reached with Mr. McConachie promises an end to this difficulty.

Mr. BASFORD: Have these problems been solved or have they not been solved?



Mr. MCGREGOR: We both signed a document which stated we would stop this nonsense.

Mr. BASFORD: When will this policy come into effect?

Mr. MCGREGOR: It will come into effect tomorrow as far as I am concerned. I cannot answer that question for everyone.

Mr. BASFORD: Why is that policy not coming into effect tomorrow?

Mr. MCGREGOR: It is not coming into effect tomorrow mainly because the effective date was not established at the time of the agreement. I do not see any difficulty in this regard. C.P.A. has much more to gain than we do in this area.

Mr. BASFORD: When will an effective date be agreed upon?

Mr. MCGREGOR: I would think an effective date will be agreed upon this week because, as I said, the teams are meeting in Vancouver beginning tomorrow.

Mr. BASFORD: Thank you.

The CHAIRMAN: Mr. Matte?

*(Translation)*

Mr. MATTE: Mr. McGregor, in September 1963 you started a Viscount service between Trois-Rivières and the Montreal-Quebec line. Have the results been satisfactory and do you intend to increase the service, because there is only one departure and one arrival each day?

*(Text)*

Mr. MCGREGOR: The answer is no to both questions. Initially because I suppose this was a new and unique service the traffic was quite surprisingly good. That traffic died off very very quickly and has not been improving. Our average per flight boarding at Three-Rivers in the months of September to April inclusive was 1.6 passengers, so we will not be increasing the frequency. In fact, if we did the right thing we would decrease the frequency.

*(Translation)*

Mr. MATTE: Now if more advertising was done on the local television, perhaps, or on the radio?

Mr. MCGREGOR: One moment, please.

Mr. MATTE: Yes. If more advertising was done on the local television or radio it might encourage passengers to travel more by air?

*(Text)*

Mr. MCGREGOR: This might be true but the fact is, as you know, the city is not far enough away from Montreal or Quebec to justify air transportation.

*(Translation)*

Mr. MARCOUX: I have a supplementary question. Was it decided to have a stop at Trois Rivières after a survey by Air Canada or did the Department of Transport assist to some extent by favoring the daily stopover?

*(Text)*

Mr. MCGREGOR: Dr. Marcoux, the situation at the time was that the Minister of Transport had a certain affiliation with Three Rivers and he asked that we make a study. We made the study and it reflected a situation very much like the actual. So, I explained this to the Minister of Transport, and he asked if I knew that a bridge across the St. Lawrence at Three Rivers was being contemplated. And, I believe I said I had heard something about it but I did not know whether it was going to be built or not. And, he said: "Well, if it is built and when it is built, then the traffic at Three Rivers will improve greatly." And, I am still living in hope that may be so.

(Translation)

Mr. MATTE: Last year I was going to Trois Rivières, but because of the fog I had to land at Quebec which is about 90 miles farther on. I was told there was no radar at Trois Rivières. Does your company intend to set up radars wherever there are runways?

(Text)

Mr. MCGREGOR: No, we do not provide navigational aids. That is the Department of Transport's function.

The CHAIRMAN: Would you proceed, Mr. Crouse.

Mr. CROUSE: Recently Air Canada suspended its early morning flight from Halifax to Saint John, New Brunswick. This has brought quite forcibly to the attention of maritimers that regional air services are far from adequate. In view of the inconvenience this action has caused many air minded people could you tell us the reason for the suspension of this service?

Mr. MCGREGOR: Yes, I believe I could. I believe this is the answer given by the minister to the same question in the house. The frequency loss referred to is flight 421, originating at Halifax at 7.35 a.m., via Moncton, arriving Saint John 9 a.m., and flight 428, which is the returning flight, departing Saint John, 10.45 p.m., arriving Halifax 11.35 p.m. In terms of local traffic, these two flights were poorly patronized. In the month of August, 1963, there were 38 local passengers Halifax to Saint John in the month and 34 Saint John to Halifax in the month, or less than three people per day. So, I do not think the inconvenience is very widespread.

These two flights provided opportunity for a full day in Saint John for the Halifax passengers. The current schedule for the summer has the first flight departing Halifax at 10.30 a.m., arriving Saint John, 11.15 a.m., with the last flight departing Saint John at 4.30 p.m., arriving Halifax at 5.10 p.m.

The local traffic increases on this route in the winter. Current plans for the winter of 1964-65 have a 9.40 a.m. departure from Halifax with a 10.25 a.m. arrival at Saint John, with a 9.25 p.m. departure from Saint John and a 10.20 p.m. arrival in Halifax. It is felt that these will accommodate the local traffic.

Mr. CROUSE: Now, I appreciate that the statement which you have given us is to the effect that this trade has fallen off; but, you are committed to a policy which demands a fleet of large aircraft operating lengthy route patterns, and I would like to ask what will be your policy when 72 passenger aircraft are put into service on routes which are now handled by 52 seat Viscount aircraft?

Mr. MCGREGOR: We have said that we still intend to operate Viscounts through 1972, so perhaps we are being a little bit pessimistic when we think of the time when the aircraft will have grown so large we will have to further curtail the frequency.

Mr. CROUSE: But, as a government supported service do you not feel you have an obligation to provide service as a regional carrier on routes such as the ones I have mentioned?

Mr. MCGREGOR: Yes, and that is why we do these things. But, let us be careful about this government supported operation. The government only contributes to T.C.A. when it has a deficit, which has been thrice in the last 13 years.

Mr. CROUSE: I admit that is an admirable record, but in assessing the situation would you not agree that the regional routes, for example between Halifax and Saint John, would be serviced better by smaller aircraft, and in view of the fact that you people have withdrawn from that particular service

would you raise objection if individual operators should apply and endeavour to move in and supply that service?

Mr. MCGREGOR: It would depend on the circumstances. I would not think we would raise objections if they were going to improve the service, no.

The CHAIRMAN: Would you proceed, Mr. Rock.

Mr. ROCK: According to your report there has been a substantial increase in your freight traffic.

Mr. MCGREGOR: Yes, 22 per cent.

Mr. ROCK: Are these aircraft which are used all passenger cargo aircraft?

Mr. MCGREGOR: I beg your pardon?

Mr. ROCK: Are the aircraft which are used all passenger cargo aircraft?

Mr. MCGREGOR: Yes.

Mr. ROCK: You have no aircraft strictly for freight?

Mr. MCGREGOR: No, no longer.

Mr. ROCK: Have you any intention of going into strictly freight cargo?

Mr. MCGREGOR: Not at the present time.

Mr. ROCK: Are you satisfied with the way your passengers are subjected to, what I would call, regimentation by the Murray Hill taxi service at the Montreal airport? I have on many occasions taken that taxi service and I find there is a lot of regimentation. It even got to the extent that you had to go into another office and report there, ask the price and all that sort of thing. In my experience, I have found that it is faster just to dial a number for another taxi, perhaps the Dorval taxi, and get into that. It provides a faster service and is about one third less.

Mr. MCGREGOR: Well, Mr. Fisher certainly will be interested in what you are saying.

Mr. ROCK: I do not want to get into the same subject, but I would like to continue.

Mr. MCGREGOR: I did not know you could dial Dorval taxi and have one pick you up.

Mr. ROCK: Yes. You have the right to have any taxi pick you up. Have you any objection to giving your passengers a better service when they get off your aircraft, such as having a right to go to an area within the building where there would be available direct lines to different taxi associations.

Mr. MCGREGOR: None whatsoever. In fact, the better service on ground transportation a passenger receives the better we like it.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): I have some short questions in respect of service and traffic. They have to do with the DC-9. When did you say the DC-9 would be in service?

Mr. MCGREGOR: In the spring of 1966.

Mr. MUIR (*Lisgar*): What is the expected range of the aircraft?

Mr. MCGREGOR: I think it is about 1,600 miles.

Mr. MUIR (*Lisgar*): On what routes do you intend to use them?

Mr. MCGREGOR: On all routes that that range will accommodate.

Mr. MUIR (*Lisgar*): Is that just within Canada?

Mr. MCGREGOR: Yes, and to some degree the inner Caribbean.

Mr. MUIR (*Lisgar*): What is the capacity in the economy and in the first class?

Mr. MCGREGOR: In the configuration that we are planning it is a total of 72.



Mr. MUIR (*Lisgar*): What proportion of that would be first class?

Mr. MCGREGOR: Sixty economy and 12 first class.

Mr. MUIR (*Lisgar*): How much freight would you carry besides that?

Mr. MCGREGOR: Not much, basically it is a passenger aircraft.

Mr. MUIR (*Lisgar*): Are you negotiating for any routes that the DC-9 could handle, such as, say, the mid west, to Minneapolis, or even as far down as Mexico, and particularly to San Francisco to tie in with the trans polar route?

Mr. MCGREGOR: Yes.

Mr. MUIR (*Lisgar*): What are your hopes of getting it?

Mr. MCGREGOR: Negotiations were opened about a month ago between the United States and the Canadian governments on a renegotiation of the bilateral agreement. The best way to describe the talks is to say they were exploratory in nature, and the meeting was adjourned with a decision to reconvene in mid July. On the basis of past history, I am not very hopeful.

Mr. MUIR (*Lisgar*): Not very hopeful about any route through the southern states? At the time that you purchased these planes which, I think, are built in San Francisco—

Mr. MCGREGOR: Closer to Los Angeles.

Mr. MUIR (*Lisgar*): Would that not be an opportune time to negotiate a route, particularly since you are going to have to get your repairs at that point, will you not?

Mr. MCGREGOR: No, at Dorval. In any case, if there is something in your argument and I hope there is, this will continue because I have no thought in mind that our purchase of the DC-9 will be confined to our initial order of six. So this will be a continuing lever, if it is a lever.

Mr. MUIR (*Lisgar*): Do you not think it would certainly be a terrific lift to traffic growth if you could connect San Francisco with Winnipeg, and then go over the trans polar route?

Mr. MCGREGOR: We always desired to have the long diagonal transborder, that is eastern Canada to the United States Pacific coast.

Mr. MUIR (*Lisgar*): Why does the United States have a monopoly on the whole western and southwestern part of the continent?

Mr. MCGREGOR: The reason is, I suppose, that the United States is a country developed in depth from the border, and we are not. We are a thin band of population along the north side of the border, and the result is that we have no real *quid pro quo* for the type of deep penetration that we would like to see.

Mr. MUIR (*Lisgar*): At the same time the United States aircraft coming into Winnipeg use Air Canada as a feeder line. Are you using it very successfully, because those planes are, I would imagine, a very paying proposition?

Mr. MCGREGOR: Yes. On the other hand, Winnipeg itself is not connected to the western United States by either the United States or Canada.

Mr. MUIR (*Lisgar*): That is right. Are you in favour of Scandinavian air lines taking on passengers to California when they drop down for servicing?

Mr. MCGREGOR: Indeed I am not. I am not in favour of any other air line taking on passengers if we can take them on.

Mr. MUIR (*Lisgar*): You just told me you do not fly to the western states, so it would not make any difference, would it?

Mr. MCGREGOR: It will make a difference, but we cannot do anything about it. Furthermore we do not know of any permission that S.A.S. has to operate between Winnipeg and the west coast of the United States.

Mr. MUIR (*Lisgar*): They have not, but they do fly over Winnipeg to the west coast; in fact they land there, do they not? That is about as far as we can go with the DC-9 at the moment.

What do you think of the physical facilities of the new airports? You have been around all the new ones that we have been building lately; what do you think of them?

Mr. MCGREGOR: We talk about an airport as meaning runways and navigational facilities, and we talk about a terminal as being passenger and cargo handling facilities. Do you mean airports or terminals?

Mr. MUIR (*Lisgar*): I mean terminals.

Mr. MCGREGOR: The new ones, with the exception of the walking distances, are basically good.

Mr. MUIR (*Lisgar*): You just rent them from the Department of Transport, do you not?

Mr. MCGREGOR: We rent the area we occupy, the counter area, office space, etc.

Mr. MUIR (*Lisgar*): But at the same time you are interested in the comfort of your passengers. What do you think of the idea that they have in Winnipeg where the old people like myself have to carry their suitcases upstairs without even an escalator?

Mr. MCGREGOR: I do not think there is anything as bad as Dorval in that respect.

Mr. MUIR (*Lisgar*): What is the intention? Is it intended that they would load the aircraft from the second deck, is that the idea?

Mr. MCGREGOR: No.

Mr. MUIR (*Lisgar*): Are you not going to load the DC-9's from the second deck as they do in Newfoundland?

Mr. MCGREGOR: Not that I know of.

Mr. MUIR (*Lisgar*): I thought that at Gander you went out on a ramp on the second deck.

Mr. MCGREGOR: You went out on a ramp but on the deck.

Mr. MUIR (*Lisgar*): I thought for sure that I was sober that night!

Have you requested D.O.T. to instal escalators in Winnipeg, or have you made any suggestion to them that they should?

Mr. MCGREGOR: Perhaps I am not talking on the same subject but we made strong recommendations to D.O.T. to have a moving sidewalk installed in the tunnel at Dorval, and I read quite recently that this had been approved in estimates, but no work has yet been started. Basically it is this, anything that improves the service to the passenger or decreases strain and annoyance to him we are heartily in favour of, particularly if D.O.T. is paying for it.

Mr. MUIR (*Lisgar*): Would you like to request D.O.T. on my behalf to put an escalator in Winnipeg?

Mr. MCGREGOR: I would be glad to.

Mr. PASCOE: Mr. Chairman, one of the drawbacks of being on your list of speakers so far down is that when your turn comes your questions have been asked and answered. I had some questions in regard to service on the prairies by TransAir, but they have been asked and answered. There was one more point. Mr. McGregor indicated, I believe, that in the agreement with TransAir, Air Canada is servicing the Viscount.

Mr. MCGREGOR: One Viscount.

Mr. PASCOE: Is that a very expensive proposition, and how much longer will it be carried on?

Mr. MCGREGOR: It is paid for by TransAir at T.C.A. standard cost of labour and parts.

Mr. PASCOE: I have one more question. This was referred to on page seven and it concerns the very substantial growth of air traffic. It is stated on page eight that Air Canada was making a very concentrated air freight sales program. I have a press story here which speaks about the spectacularly growing transportation of agricultural products by air. It says that the movement of agricultural exports by air is broadening into all parts of the world. It also gives the United States figures. It shows that farm products shipped by air total 20,200,000 pounds, or 15,100,000 pounds more than in the same period for the previous year. It refers to shipments of eggs in the shell, meat and meat products, nursery and floral stocks, baby chicks, and so on. I think you indicated, Mr. McGregor, that you were very interested in the shipment of fish, and so on. Have you made any effort in regard to these other farm products?

Mr. MCGREGOR: Yes indeed, but I am afraid they are not Canadian. We broke into the northbound traffic of farm products such as tomatoes in a big way from the Caribbean last winter with fair success. We have always shipped baby chicks and poults in both directions across the country. I laughingly proposed one time a return fare on these but it turned out that it was not the same breed that move in both directions. We are very much in that market and have done quite a lot to promote it.

Mr. PASCOE: Would you say it is expanding?

Mr. MCGREGOR: Yes.

(Translation)

Mr. GRÉGOIRE: Mr. McGregor, in 1967 when the World Fair is to be held in Montreal is Air Canada making any plans to meet the increased passenger services that will be necessary at that time?

(Text)

Mr. MCGREGOR: Yes, very much. We are looking forward to it very hopefully and I would like to think that by 1967 we will have ample capacity to meet any sharp peaking in traffic.

(Translation)

Mr. GRÉGOIRE: Now, are you beginning to advertise in the countries abroad where you operate, or do you intend to advertise jointly with the commissioners of the World Fair?

(Text)

Mr. RHÉAUME: On a point of order, Mr. Chairman, surely Mr. Grégoire can keep his questions closer to home than 1967.

Mr. MCGREGOR: He is asking what is happening today.

Mr. GRÉGOIRE: I am asking what is happening now in view of the fair in 1967.

Mr. RHÉAUME: The report we are discussing is for 1963.

Mr. GRÉGOIRE: I think it is normal to ask what is being done now ready for 1967.

Mr. RHÉAUME: What are you going to ask on "Outlook" if you are using all your bullets now?

Mr. GRÉGOIRE: I am dealing with passenger service now.

Mr. MCGREGOR: We are a contributor to Mayor Drapeau's world wide circulation of a magazine, the first issue of which came out under the title "Montreal '64". The third issue will be largely devoted to Air Canada as a starter.



(Translation)

Mr. GRÉGOIRE: Do you intend to organize trips to the forthcoming fair through your agencies abroad, to organize special trips to the Fair?

(Text)

Mr. MCGREGOR: Yes. As a matter of fact, we have been doing that in the normal way for some years but we will give special publicity to the advent of the world fair, and I am quite sure we will have the required capacity from Europe and from the United States of America.

(Translation)

Mr. GRÉGOIRE: Do you expect to have a considerable increase before the World Fair?

(Text)

Mr. MCGREGOR: On certain routes, yes. I do not expect a very great increase on transcontinental because I do not think the Expo '67 will be a great attraction to western Canadians. I think it will be a greater attraction to people from eastern United States and to Europeans.

(Translation)

Mr. GRÉGOIRE: As you will only have six DC-9's at that time, as you said a moment ago, do you intend to use them on the most suitable runs for the World Fair? Have you thought of that, have you made any plans along those lines?

(Text)

Mr. MCGREGOR: No, because I do not think we will only have six DC-9's in 1967. I will be greatly surprised if we do not find it necessary to order additional DC-9's before even the first one is delivered.

(Translation)

Mr. GRÉGOIRE: Have you thought of using your first, or rather preparing runs for that purpose with the new DC-9's?

(Text)

Mr. MCGREGOR: I think if you are prepared to admit that the New York-Montreal route will be a very strong contributor, yes; and it will probably be one of the first routes served by DC-9's.

Mr. GRÉGOIRE: And Toronto-Montreal?

Mr. MCGREGOR: I would think so, but there are DC-8's and many other aircraft on that route.

(Translation)

Mr. GRÉGOIRE: This is a question Mr. Rock was asking a moment ago about the Montreal airport, the limousine service, have you made any inquiries about various airports to see whether the limousine service might not give rise to complaints on the part of your passengers, or have you had any complaints from passengers in that respect, do you intend to make any improvements?

(Text)

Mr. MCGREGOR: The quality of the limousine service is one of about 20 items on our standard passenger questionnaire which we circulate twice a year to passengers of record within the previous one or two months. I must say that the limousine service is low on the list of priority so far as complaints are concerned. You have seen these questionnaires, no doubt. We can show you one.

(Translation)

Mr. GRÉGOIRE: Mr. McGregor, people usually travel by plane to save time but in most cases, when you arrive at Dorval, for instance, the limousine stops at several hotels before reaching the one you want to get to, and you waste another fifteen or twenty minutes maybe. Would that give rise to complaints? Does that not harm the Air Canada passenger service?

(Text)

Mr. MCGREGOR: I do not believe it hurts it. I think a passenger is inclined to blame the evils of ground transportation upon ground transportation companies and not upon the air line. One gets the same ground transportation whether one is travelling by Air Canada, B.O.A.C., C.P.A., or any other line, so I do not think that is particularly injurious to the air line. The only solution to this whole problem—and one that I shun greatly, would be for the air line to go into the ground transportation business. I am a firm believer in the shoemaker sticking to his last, and I think it would be very wrong for us to get into the ground transportation business, although I must say it has been looked at on more than one occasion.

Mr. PRITTIE: Go by train to Montreal!

Mr. MCGREGOR: That is very good advice.

(Translation)

Mr. GRÉGOIRE: That is precisely the example I wanted to give, Mr. McGregor. Previously it took four hours to get from Quebec to Montreal but now you can get from the centre of one city to the centre of the other by train in two hours and forty-five minutes. And when you take the limousine from the Montreal airport to the centre of the city you often have to wait ten, twelve or even fifteen minutes before the limousine leaves, and it takes an hour from the time you land to the time you reach the centre of the city, and the same thing, forty-five or fifty minutes at Quebec, plus the flight... Previously it took four hours by train and two and three-quarter hours by plane but now it takes two and three-quarters in both cases.

(Text)

Mr. MCGREGOR: Yes. For some years—about ten—I have been saying that my belief is that air transportation is for distances of 500 miles and upwards. I quite agree that if one is travelling from city centre to city centre, either from Montreal to Quebec or Quebec to Ottawa—and Ottawa to Toronto, I guess, can be included in this—surface transportation does not cost much time in total. We do not make any money on this short distance travel so I would be very happy if they would take the trains, but they do not.

(Translation)

Mr. GRÉGOIRE: But in spite that, people who go by plane, for example between Ottawa and Montreal, will continue on to Quebec City but those who get off at Montreal will arrive in Montreal from Bagotville, for example, Quebec, do you not think the limousine service should be improved? For people who travel a greater distance, for example from Bagotville to Montreal, those who arrive at Montreal, those who travel from Toronto to Montreal, for those people the service between the airport and the centre of the city is very poor at the present time. I do not know how it could be improved. Have you given the matter any thought?

(Text)

Mr. MCGREGOR: We have thought of it many times. We have made suggestions. We have even investigated with the railway the idea of operating something like a day liner between the airport and the downtown rail terminals. They are not very interested because, I suppose, these things would operate over

main line railway right of way and would tend to interfere with long distance trains. This problem of ground transportation is as old as aviation and I do not know any place in the world where they have found a good solution for it.

(Translation)

Mr. GRÉGOIRE: Mr. McGregor, do you get any complaints from people travelling by plane regarding the way luggage is handled by Air Canada?

Could you not try to send some inspectors for a few days to the place where the luggage arrives to see the public reaction when they collect their luggage, often it is just a scratch and they do not think it worthwhile to complain, but in time, after a month or a month and a half, people who travel to any extent find that their luggage is damaged, it has been knocked about. Do you not intend to see the public reaction. I have watched on many occasions and I have seen people collecting their suitcases and saying "there, there is another mark on it".

(Text)

Mr. MCGREGOR: Air Canada's treatment of baggage, as far as I know, is pretty good. Are you talking about damage to baggage?

Mr. GRÉGOIRE: Yes.

Mr. MCGREGOR: I have a suitcase that has travelled maybe 200,000 miles and it still looks reasonably presentable.

Mr. RHÉAUME: Does it say "G. R. McGregor" on it?

Mr. MCGREGOR: Of course, yes!

Mr. GRÉGOIRE: I will bring you one I received just one month ago, in fact on May 1, and show you what it looks like now.

Mr. RHÉAUME: Put "G. R. McGregor" on it.

Mr. MCGREGOR: You have not put "M.P." on it, have you?

Mr. GRÉGOIRE: No.

Mr. MCGREGOR: I hope that these people realize that the baggage has been in a crowded trunk of the taxi getting to the air line and in a crowded trunk of a taxi getting away from the air line. My own observation indicates that there is more damage done to baggage on the ground than there is in the air lines.

Mr. GRÉGOIRE: That has been my experience too.

(Translation)

Mr. Chairman, if you will allow me, I do not think I am taking up too much of your time, I have one last question. Is Air Canada organized at the Bagotville airport so as to avoid any danger for their aircraft; more particularly, have any steps been taken since the last Viscount accident, in connection with the military base since the Air Canada aircraft arrive at the same military base as the Voodoos flying in that area? Have any safety measures been taken, particularly at that airport to avoid accidents?

(Text)

Mr. MCGREGOR: Air Canada has no control over the operation at Bagotville. It is an R.C.A.F. field, and the control tower is administered by the R.C.A.F. Under the circumstances that applied to the accident to which you refer, I would think that special precautions would have been taken, but not by Air Canada. Would you like to comment on this, Mr. Rood?

Mr. ROOD: I believe that to be so, yes sir.

Mr. MCGREGOR: I should say that the same conditions apply at Uplands. I mean that it is a jointly used field.

Mr. MACEWAN: With respect to the feeder service, I think that T.C.A. should attempt to tie in their schedules with the feeder services. I am think-



ing specifically of Eastern Provincial Airways. There is only one flight per day five days per week, I am referring to the flight from Charlottetown to Trenton to Halifax. I have flown on that flight, and the only flight arrives at Halifax at two o'clock, while the connecting flight leaves at two thirty. If you could run 100 yards pretty well, you could make it. But now the T.C.A. flight leaves after the E.P.A. flight leaves, and even if you were jet propelled, you could not make it. I do not think there is too much traffic, but in the Trenton to New Glasgow flight there is a fair amount. I wonder if the officials can recall if there has been any attempt made to effect liaison with E.P.A. on that one flight?

Mr. MCGREGOR: We have had the same trouble before, and we endeavoured to schedule our plans with other carriers. For years we had a great squabble with Quebec Air who appeared deliberately to be avoiding connection. Whether that is true or not, I do not know. But we do not always know what they are going to do, and they do not always know themselves. Our operating plan is drawn up usually about six months before publication of the time table which establishes the flight operations. But the planning of many of the smaller carriers is not extended so far in advance. We certainly do not try to miss their connection.

Mr. MACEWAN: I think the flight time from Charlottetown to Halifax has been going on for some time.

Mr. MCGREGOR: Only since June 15, has it not?

Mr. MACEWAN: I think it has been the same time period for a year at least.

Mr. MCGREGOR: So far as I know from the hearing a few months ago and the ruling of the air transport board, with respect to E.P.A.'s operations to the mainland, it only applies to flights commencing June 15.

Mr. MACEWAN: But I was referring to M.C.A. which has been taken over by E.P.A.

Mr. MCGREGOR: I am not informed about that. Perhaps we are making a better connection with their present service. We have endeavoured accurately to schedule the flights, but we found difficulty in finding out what their plans are.

Mr. MACEWAN: Would you mind making a note of it?

Mr. MCGREGOR: Yes, I would be glad to do so.

*(Translation)*

The CHAIRMAN: Mr. Marcoux.

Mr. MARCOUX: Mr. McGregor, you spoke earlier of the advantage there would be in advertising for the purpose of increasing traffic, either passenger or freight traffic. I see here in your statement of revenue, the item sales and promotion. Would it be possible to know what percentage is attributed to sales and what percentage is attributed to promotion, in other words to publicity, and I would like you to tell us what you mean by sales. Is it the cost of repairs to premises, etc.

*(Text)*

Mr. MCGREGOR: No. The cost of selling is the maintenance of ticket offices, the issuance of tickets, and the maintenance of reservation services. This is not cheap. Promotion is largely advertising, and we can give you our advertising bills as a proportion of the total of that item. The total 1963 expenditures for advertising and publicity which cover publications, radio, television, printed material, direct mail material, time tables, schedules, guides,—the total for advertising and distribution is \$5,318,000.

(Translation)

Mr. MARCOUX: Then this would mean that you have spent about \$5,800,000 out of \$29,000,000 on publicity.

(Text)

Mr. MCGREGOR: I should have said \$5,318,895 or \$5,319,000.

(Translation)

Mr. MARCOUX: Thus out of the \$29,000,000 you have spent on sales and promotions, \$5,800,000 were for publicity?

(Text)

Mr. MCGREGOR: No, \$5,319,000.

(Translation)

Mr. MARCOUX: That is approximately  $\frac{1}{6}$  for publicity and  $\frac{5}{8}$  for reservations and equipment.

(Text)

Mr. MCGREGOR: That is correct.

(Translation)

Mr. MARCOUX: Does that compare with other airlines in your opinion?

(Text)

Mr. MCGREGOR: The proportion of advertising cost to gross sales is what we prefer as a basic measurement. It is just about the same as other carriers, perhaps a little bit lower.

(Translation)

Mr. MARCOUX: Do you think that if you adjusted a little more to the figures of other lines you could get better results?

(Text)

Mr. MCGREGOR: I am not sure that I understand the point. No, I do not think so. I think our expenditures for advertising are properly related to the performance of other carriers who are operating in a higher expense advertising area. A lot of newspaper advertising in Canada is considerably cheaper than in the United States. I think our expenditure for advertising relates properly. It is, if the vice president in charge of sales is satisfied that the amount of money spent on advertising is about right.

Mr. GRANGER: I was interested in Mr. McGregor's reply to questions in respect of the possibility of handling fish by air, and that T.C.A. already handled lobsters in quantity to Europe. I would like to mention that the east coast of Canada produces fish in abundance. Europe consumes it in great quantities. I was happy about what Mr. McGregor said in respect of his company's research and their constant endeavour to increase their freight traffic which has succeeded so well, with a 22 per cent increase. I was happy to learn that he is looking into the matter of shipping not only the higher priced fish such as salmon, turbot, halibut, but also fresh codfish to these economic European markets.

Mr. MCGREGOR: We certainly have. Obviously the higher priced fish is the fish which can afford to travel by air, like humans. We would very much like to say that it would increase the east bound traffic because, like all our routes cargowise, there tends to be an imbalance in favour of west bound travel. So, anything that provided us with what you may call a more even market for cargo would be very acceptable.

Mr. GRANGER: Do I understand that your air line and others, in fact, do considerable work in developing markets?

Mr. MCGREGOR: We work almost like the operators of tramp steamers. We go around to the big importers and say, "Why not ship this?" They say, "Well, if it goes down a cent a ton mile, or something, it might be all right." So we try that. We peddle our wares in the matter of air cargo very strenuously.

Mr. BASFORD: I would like to go back to the question of air terminals. To what extent are you and other major carriers consulted by the Department of Transport in respect of the planning for terminals?

Mr. MCGREGOR: The history is rather mixed. The Department of Transport, prior to finalization of the plans for Dorval, asked that a syndicate of the air lines be formed. They asked us to chair this group. This group was composed basically of all the foreign carriers operating into Montreal, of which there are nine or 11. The first draft of the Department of Transport plans was submitted to that group, very strongly criticized and finalized. So, we were consulted; but it did no good.

In the case of Toronto an outside architect was used, and I think we can agree the result, while perhaps not perfect, is very much better. I do not know whether in the case of Toronto we were specifically consulted. They never have acted without asking us what we thought of the plans, and when we thought they were awful, the building was built as a rule.

Mr. BASFORD: Have you been consulted with regard to the proposed terminal at Vancouver?

Mr. MCGREGOR: No, not to my knowledge.

Mr. PRITTE: It is rather late if you have not been consulted by now.

Mr. BASFORD: No. This is why I am asking; they still have time.

Mr. MCGREGOR: I am quite wrong. We were consulted. There was a suggestion about split control of passengers. If I remember it correctly, we found fault with it. In that case I believe our objections were considered, and some modifications were made. However, I am quite wrong; we were consulted in the case of Vancouver.

Mr. BASFORD: Do I take it, then, that the plans for Vancouver meet with your approval?

Mr. MCGREGOR: Yes; I think it will be satisfactory.

Mr. BASFORD: Was C.P.A. consulted in a like manner?

Mr. MCGREGOR: I am sure they were. In fact, I think they joined with us in our criticism.

Mr. BASFORD: And I take it the criticism was accepted.

Mr. MCGREGOR: I believe so.

Mr. BERGER: Very briefly, Mr. Chairman, I would like to go back to these complaints which a few of my colleagues have expressed with reference to ground transportation and limousine facilities. You have mentioned, Mr. McGregor, that you have given a few talks about operating your own service. Have you ever given any thought to Air Canada making available helicopter facilities and charging a little more for taking your passengers to the hotel and back?

Mr. MCGREGOR: Yes.

Mr. BERGER: If it is not feasible to have this type of service right now, could we expect to have it in a few years?

Mr. MCGREGOR: I think it is true to say we have been expecting it might become economical within a few years, but it has not. The chances do not look good. The development of helicopters depends almost entirely on the military need. This may produce a large economical helicopter, but it has not done so yet although the helicopters are improving.



Mr. TUCKER: I understand that T.C.A. lost over \$1 million last year in its operations to Newfoundland. No doubt some of this has been caused by the poor location of the airport at St. John's. I am wondering whether any consideration has been given to relocation of that airport, or whether any thought has been given to having an alternative strip. Very often in St. John's the weather is foggy because the airport is so near the coast, and yet 15 or 20 miles away, if an airport were to be erected, a plane could land without any difficulty.

Mr. MCGREGOR: You are perfectly right. The airport at St. John's is in a poor weather location, such as was the case in Halifax until a new one was built. I feel I would be stepping outside my proper role if I were to comment on what the Department of Transport may or may not be planning. Air Canada does not construct airports. I do not know where this stands in Department of Transport planning. However, you are perfectly right; St. John's suffers seriously from interruption in weather conditions. I do not know whether or not that accounts for the financial result, but it certainly does not do it any good.

The CHAIRMAN: May we carry the section on service and traffic growth? Agreed.

The CHAIRMAN: We will meet tomorrow morning, gentlemen, at ten o'clock and finish.

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TUESDAY, June 23, 1964.

(Text)

The CHAIRMAN: Order, gentlemen. This morning we are on equipment and facilities.

Would you proceed, Mr. Rhéaume?

Mr. RHÉAUME: Mr. McGregor, at our last committee hearings we talked a bit about the Vanguard equipment and at that time you mentioned, I believe, that one machine which the company owned still was in England.

Mr. G. R. MCGREGOR (*President, Trans-Canada Air Lines*): Yes.

Mr. RHÉAUME: And, that the Vickers people were experimenting with it. Have you anything further to tell us in this connection?

Mr. MCGREGOR: Yes. The aircraft was accepted for delivery last April and is now in service. We believe that its time was well spent in this case in the United Kingdom because modifications were developed. We think that this had a substantial improving effect on the vibration level of the aircraft.

Mr. RHÉAUME: But, obviously they were not able to completely eliminate it.

Mr. MCGREGOR: You mean eliminate the vibration?

Mr. RHÉAUME: Yes, as extensively as was hoped, as there is still some vibration.

Mr. MCGREGOR: Well, it depends a lot on the individual aircraft. I have been in three or four aircraft lately that I thought were excellent, and this is largely the degree to which the modification program has been applied across the fleet. I do not think we ever will eliminate vibration where there is movement, but this is now at a very satisfactory level.

Mr. RHÉAUME: So, were there some modifications made to all the other Vanguards?

Mr. MCGREGOR: Not all of them yet, but they are in the process. They are going through the fleet.

Mr. RHÉAUME: In respect of the new flight recorders on which I believe Air Canada was going to spend \$1,000,300 what progress has been made in regard to those installations? It seems to me that they were ordered last fall.

Mr. MCGREGOR: No, I do not think that is correct. We had one installed last fall on an experimental basis that proved out satisfactorily, and the order was placed for recorders, I think, just within the last few weeks.

Mr. RHÉAUME: But, these flight recorders are the sophisticated ones you are talking about?

Mr. MCGREGOR: Yes.

Mr. RHÉAUME: When will all your fleet be equipped with these flight recorders?

Mr. MCGREGOR: The DC-8's will be equipped by the end of the year but the rest of the fleet will take well into next year.

Mr. RHÉAUME: Am I correct in my assumption that at the present time Air Canada equipment compares favourably, in terms of these new things and its capabilities, to any other country in the world?

Mr. MCGREGOR: I think so. It is well balanced and well related to the route pattern on which we have to operate. It certainly is young in terms of years of service; even the Viscounts are still a modern short range airplane. They are the oldest of our three types. I do think that is a fair statement. I certainly would not quarrel with it.

Mr. RHÉAUME: And, as a nation, we have equipment which can take us anywhere in the world, if necessary, and the level of equipment of our national air lines, both Trans-Canada Air Lines and Canadian Pacific Airlines, is as good as any other.

Mr. MCGREGOR: We have as much range, and proportionate to our population I think a greater subsonic jet capacity than perhaps other countries.

Mr. RHÉAUME: I am following this line of questioning because I want to get on the record a response to what I think is an unfortunate statement made in the House of Commons to the effect—and this was at the time of Prime Minister Nehru's funeral—that Canada has no equipment capable of making a long overseas flight and so on. As I say, this was the statement that was made and I just wanted to get on the record the fact that the kind of equipment that both our major air lines in Canada has is every bit on a par with that of any other nation.

Mr. MCGREGOR: I am glad you brought up the point. I certainly agree with you. The fan-powered DC-8 is the longest range subsonic jet I know of. In fact, one was flown non-stop from Japan to Florida. It is true that it was flown as a sort of stunt, if you like. But, it has a great range capacity, and certainly I would think that either of those aircraft will do any non-stop flight that could be asked of any aircraft other than perhaps a very long range military type.

Mr. RHÉAUME: I have some other questions on another subject, fins, furs and feathers, but I will wait.

The CHAIRMAN: Would you continue, Mr. Prittie?

Mr. GRÉGOIRE: Mr. Chairman, If you would allow me, I would like to ask the permission of the committee to revert to a subject upon which I put questions yesterday, namely traffic and passengers.

When I spoke in respect of the use of luggage on Air Canada I told the committee I would bring back evidence. I have it here with me this morning, and if the committee would like me to present this evidence I will do so. It will take only three or four minutes, and then we might continue with our other work.

Mr. RHÉAUME: It is not your suitcase?

Mr. GRÉGOIRE: Yes, it is.

The CHAIRMAN: Would it take three or four minutes to show it?

Mr. GRÉGOIRE: I have it here with me.

Mr. PRITTIE: That looks all right.

Mr. GRÉGOIRE: Well, come closer. I will present it to you, if you like, Mr. McGregor. This is a suitcase I bought about 1½ months ago and since that time I have used it only on T.C.A. I have never taken a taxi or train with it. I have travelled only between Ottawa and Bagotville, and I would like to show you the results of 1½ months of travelling with it on T.C.A.

Mr. MCGREGOR: I think I can see it from here.

Mr. GRÉGOIRE: Then, if you can see it from there you will see that.

*(Translation)*

Here you will see for yourselves. You can see here that it is smashed in. You will see that it is scratched there. The leather handle is torn away. You have two very substantial marks, or three, four and even five. Here this side also, you can see that it is all quite badly damaged. If this continues, I believe that in six months this suitcase will have to be discarded. If you wish to look at it more closely, Mr. McGregor, I can hand it to you.

*(Text)*

The CHAIRMAN: I think Mr. Grégoire has made his point.

Mr. RHÉAUME: Could we have the brand name of that luggage? I think it is very important to know where it was built.

Mr. MCGREGOR: That would be because of the roundel and the D.O.T. delivery apparatus; you know how it slides down.

Mr. KINDT: Mr. Chairman, as a footnote to Mr. McGregor's comment, may I say that my luggage did not come in at all. Mr. Grégoire got his suitcase, but mine is still enroute some place. It is supposed to be delivered to my office in due course. I was unable to shave this morning; however, we are hoping that it will be available soon. Apparently it missed the plane at Calgary, and I am wondering why. I was there half an hour before the plane departed and when I arrived here at Ottawa—and, if I may say so, there was plenty of time between connections at Toronto—it did not arrive. It might be that a little bit of checking on your sorting facilities and so forth would be beneficial in this regard in order not to inconvenience your passengers.

Mr. MACEWAN: Mr. Chairman, if I may add to these comments, in defence of Trans-Canada Air Lines may I say that I had a flight bag which came into the Ottawa airport with one side of the whole zipper ripped. I called T.C.A. and one of the officials picked it up at my office, got it repaired and brought it back. Also, inside was a broken hanger and it was repaired as well. So, I feel quite lucky.

The CHAIRMAN: Order, gentlemen.

*(Translation)*

Mr. CHAIRMAN: One moment, please, Mr. Grégoire had asked the privilege of showing his travelling bag. But would it not be possible to restrict questions of that nature, since we passed that item yesterday.

Mr. GRÉGOIRE: Yes, but with the restriction that we would deal with it this morning.

The CHAIRMAN: You made your point this morning already.

Mr. GRÉGOIRE: Mr. McGregor does not seem to be willing to admit that travelling bags get damaged. I show him a brand new suitcase purchased six weeks ago; it is already quite damaged, and since Mr. McGregor does not seem to admit that there was negligence—



I think that, at this time, it is our duty to ask questions on that matter. There is the proof!

The CHAIRMAN: Did Mr. McGregor deny that?

(Text)

Mr. MCGREGOR: Let me say that I do not think that any luggage can be in use and not show some signs of it. I am just trying to make the point that I do not think that T.C.A. mistreats unduly luggage that is in its care. But, I would defy anyone to invent a suitcase that is used between here and Bagotville at least once a week throughout the session and not show some signs of wear.

(Translation)

Mr. BEAULÉ: Mr. Chairman, on a point of order, I would like to point out to Mr. McGregor, if he would use his earphones, that the equipment used to carry the baggage at the Quebec airport, at Ancienne Lorette, is not adequate. When there is a large amount of baggage on a plane, the fellow is in a rush. The baggage is thrown in the carts; he hastily delivers it at the baggage office, and he hurries back to the plane to fetch more baggage. As a matter of fact, more baggage is broken up at that airport than anywhere else. I had a new wooden fiber suitcase, guaranteed for life, and it was completely scratched after the first trip. This would not happen if the Ancienne Lorette airport had more modern equipment to handle the baggage.

(Text)

Mr. MCGREGOR: Well, I do not know about Ancienne Lorette, but I know the passage handling equipment at major airports and, therefore, I presume that Quebec is provided with this facility through the terminal, which is D.O.T. I do not think that there is any question but that these roundels, with the chute of padding coming down inside does give the baggage a shaking up, if not worse. I would say the soft flight kits are quite often mishandled by the travelling belts and so on because they do not slide or go around corners as well as hard suitcases. The same applies to the soft leather ones.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I repeat what I already said: I would like that the equipment at the Quebec airport, at Ancienne Lorette, be changed. The baggage is not damaged by the belts but by the employees who hastily throw the suitcases on the belt and immediately return to the plane to fetch more baggage because they do not have enough cars to carry the baggage of the same plane. They are in a hurry, they throw the suitcases on the belt and then return to the plane. Furthermore, quite often, the car is overloaded.

(Text)

The CHAIRMAN: Would you proceed, Mr. Prittie.

Mr. PRITTIE: Mr. Chairman, is my understanding correct that we are on equipment and facilities?

(Translation)

Mr. GRÉGOIRE: Mr. Chairman, in conclusion what I would like to point out to Mr. McGregor is this: the baggage is handled in such a way that new scratches or some new damage is caused at every trip, so that no one can complain that his suitcase was destroyed in one operation, but in the long run. After one, two or three months, if you look at your bag, you realize that your baggage is not new anymore. It must be replaced after six months. Personally, after eight or nine months, I had to replace mine, because it was no longer useable. It is possible that Air Canada have received no complaints

because the damages resulting from one trip do not justify the laying of a complaint. But I think that Air Canada should take the necessary steps in order to improve the handling of baggage, the carrying of the luggage and if this matter falls under the jurisdiction of the Department of Transport, then I think he would have to study the matter when he comes here and we could question him about it.

(Text)

Mr. PRITTIE: We are on page 15, equipment and facilities.

The CHAIRMAN: That is right.

Mr. PRITTIE: Does Air Canada have all its maintenance and overhaul done by the company in Canada?

Mr. MCGREGOR: Basically, yes. When I say basically I am referring to airframes, engines and major components. But, there may be specialized instruments and things of this kind, compressor units and so on, repairs to which are carried out by the manufacturer in Canada.

Mr. PRITTIE: I understand that formerly Canadian Pacific Airlines was having some of their maintenance work done outside of Canada and you were doing some of it here. Does the same situation exist?

Mr. MCGREGOR: Yes. We still overhaul their Conway engines, that is their DC-8 engines, but not outside Canada.

Mr. PRITTIE: You are doing the DC-8 engines. Do they have any special work done outside of Canada?

Mr. MCGREGOR: I do not know whether they do now, but it was the case at one time.

Mr. PRITTIE: Do you do all your own maintenance in Canada because you want the quality control or because you are a crown corporation and have in mind Canadian employment?

Mr. MCGREGOR: I think this is a combination of convenience, efficiency and quality control. Certainly we are interested in Canadian employment and would not willingly see that work given outside of Canada if we could help it. But, if you are doing your own maintenance and overhaul work and can bring the aircraft into a base and relate your operation of the aircraft to the capacity of the base so that it is not waiting to be taken into a base once it is out of service, which could be the case if you are using an outside contractor. It is very much easier to relate the operation to the overhaul capacity and not swamp the overhaul base at any time and not have it with slack periods. If you are in complete control of both the operation and the maintenance base it is much more beneficial.

Mr. PRITTIE: I first became interested in these three aircraft when there were a series of letters and editorials in the *Globe and Mail* in respect of the cost of operating Canadian Pacific Airlines and Trans-Canada Air Lines at the time, and I think there was some allegation made that your costs were higher because you were doing it all on your own and in Canada. Is there any difference in the case of each of the two companies because one is done in Canada and the other may farm it out to Bristol or some other overseas firm.

Mr. MCGREGOR: There was a special case which applied to a Britannia aircraft but I do not know that the costs are much different if you are having it done outside or doing it yourself. But, I know the convenience is marked.

I presume that an overhaul outfit is doing it at a profit, which you do not charge yourself and, therefore, I would think that farming out would be more expensive, unless the farming out, as it was in these cases,—one was Japan; one Amsterdam and the other England—proved to be cheaper because the basic wage rates are lower than here.

Mr. PRITTIE: Will this continue to be the case as you obtain DC-9's and new types of aircraft?

Mr. MCGREGOR: Yes.

Mr. PRITTIE: You are still prepared to do all your own maintenance?

Mr. MCGREGOR: Yes.

Mr. PRITTIE: Thank you, Mr. Chairman.

The CHAIRMAN: Would you proceed, Mr. Hahn.

Mr. HAHN: Mr. McGregor, at page 16 it states:

Unfortunately, the problem of finding suitable airport accommodation at New York remained unsolved.

It seems to me pretty important, if we are going to compete with American and other air lines, that we have reasonable facilities down there.

What is your problem and what is the hope of a solution?

Mr. MCGREGOR: Well, we have Mr. Harvey the expert on this here. But, the problem was intense. First of all, to use its present correct name, the Kennedy airport already is extremely crowded and all terminal space adjacent to the main terminal building is spoken for. This drove us into entering into tentative negotiations with, I think, three other air lines, with the idea of sharing their terminal facilities. Meanwhile, were were loath to spend money in the present area, with a possibility of one of these areas in the near future, but eventually we became downright ashamed of the accommodation at Kennedy airport and recently let a contract and rented additional space. The whole area is in the process of renovation now and the scheduled date of completion is I believe, July 31. But, that is temporary. We are still trying to get a permanent arrangement with another carrier. There is not an inch on which to build our own airline accommodation. You see, U.S. airlines all build their own departure terminals there.

Mr. HAHN: Has there been any type of ganging up by the American carriers to prevent a foreign carrier from getting space there?

Mr. MCGREGOR: No. This is under the authority of the New York Port Authority. I would not say we have been ganged up on. But, I can assure you the costs relate very badly to our operation because, basically, we are operating two short routes out of New York, a distance of 300 or 400 miles, whereas most of the air lines based there are operating at least transcontinental and a good number trans-Atlantic, with some operating to the deep south. So, our terminal costs at New York will be very high in respect of the gross revenue of our two operations out of New York.

Mr. HAHN: My next question concerns development work which is going on in Britain on an automatic landing system, where the plane is landed automatically and flown right down to the runway.

Mr. MCGREGOR: Yes, and France.

Mr. HAHN: Are you people following that up or doing anything in that area?

Mr. MCGREGOR: Yes, I think we have kept ourselves very well informed on the automatic landing systems. I would like Captain Rood to speak about this because many of our aircraft are being delivered with basic wiring for the installation of such equipment if, as and when it is moved in. But, the automatic landing of an aircraft obviously is something that has to be foolproof, and there are two or three ways of doing this. One is to triplicate the system and another is to have an instantaneous hookup to the pilot in order that he can take over in the event of any equipment failure.

Have you anything further to add on that Captain Rood?



Mr. J. L. ROOD (*Director of Flight Operations, Trans-Canada Air Lines*): Mr. McGregor, I think you have covered it very well. We keep up with industry in this regard, and that is all I can say about it at the present time.

Mr. HAHN: Can you give any forecast of when systems such as this might be in commercial use?

Mr. MCGREGOR: I know you know your business, Mr. Hahn. As you know, there are variations of automatic landing systems, the so-called zero zero landing, which I do not think anyone is prepared to put much trust in, and then there is the automatic flare out, which is a pre-touchdown automatic action which is not as complicated as the automatic landing. These are fairly close together, and although I am not sure, I think automatic flare out already is in use on an experimental basis. However, I think it would be a rash man who would say these things will be functioning satisfactorily within 18 months or 2 years. SUD has done a lot of experimental work on this, and I have watched some of it going on there. Also, I think that Trident has an installation which has at least automatic flare out. I am referring to the de Havilland job in England.

Mr. HAHN: Does this reduce the limits in which aircraft can operate?

Mr. MCGREGOR: If everything is working, yes. But whether this would result in substantially lower limits as soon as this system was installed I would not be prepared to say. It is something that will have to be moved up on quite carefully.

Mr. MACEWAN: Mr. McGregor, is the new maintenance base at Halifax working out pretty well with your plans?

Mr. MCGREGOR: Yes. I have heard nothing to the contrary and I am sure it is.

Mr. MACEWAN: It would appear to be an ample building. Am I correct in my understanding that you do the overhauling and maintenance of Viscounts and Vanguards at that location?

Mr. MCGREGOR: We do line maintenance work, not overhaul.

Mr. MACEWAN: I was interested in the new electronic system called ReserVec which has been set up by T.C.A., and I wonder if you could tell us briefly how that works. I understand there is a central registry which gives the necessary information to any of the offices. Could you explain that briefly to us?

Mr. MCGREGOR: Yes, as briefly as I can. Actually, the ReserVec central computer is located in Toronto and connected to all Canadian stations and offices by high quality circuits. At each office there is at least one transactor which looks like a pop-up toaster, and when a reservation is requested either across the counter or by telephone the agent puts pencil marks on a card which identifies the flight and the two points involved, the desired travel, the date and so on. This is done by a platen closing on the card and the current flows along the penciled marks and actuates the basic memory in Toronto which serves the flights. Then, the computer says yes, there is a seat, and in two tenths of a second there is a clonk and a half moon is cut out of the edge of the card. If no seats are available there is a similar clonk and it indicates there is a seat on the flight previous to the one desired or the flight after. But, like all instruments it is not completely foolproof because if pencil marks are placed wrongly on the card or written out in the wrong place on the card the memory does not fix this. This does speed up the information regarding the availability of seats on any flight leg greatly and removes any human error in this area. I think it is no better, like all computers, than the information it receives.

Mr. MACEWAN: This system has been set up in all your offices all over Canada?

Mr. MCGREGOR: It has been set up in all the offices across Canada and all over the United States with the exception of Tampa.

Mr. MUIR (*Lisgar*): I should like to ask a few questions in respect of this item. Do you repair all three types of aircraft at Dorval?

Mr. MCGREGOR: No, we just repair Vanguards and DC-8's.

Mr. MUIR (*Lisgar*): How many of each would you estimate you have had in for repair during the last year?

Mr. MCGREGOR: Aircraft are not repaired only when they have to be repaired. They are on a schedule of overhaul which is related directly to the number of hours of flying. If an aircraft has done so many hours it goes in for such and such a number of base check, and that is regardless of whether there is anything wrong with it or not. I would say all Vanguards and DC-8's have been in Dorval at least once during the last 12 months.

Mr. MUIR (*Lisgar*): You do not repair the Viscounts there at all?

Mr. MCGREGOR: No, sir.

Mr. MUIR (*Lisgar*): What has been the number of employees at Dorval during the past year? Could you tell us the difference between the figures in respect of employees at Dorval from last year and this year?

Mr. MCGREGOR: Just one moment. The only information we have is in respect of the total employees at Montreal, but we could have that broken down regarding the base.

Mr. MUIR (*Lisgar*): You have not got that information now?

Mr. MCGREGOR: We do have the total figures which include all departmental personnel if that is any help to you.

Mr. MUIR (*Lisgar*): I had in mind the number of employees at the repair depot, or at the repair shops. You have not got that information?

Mr. MCGREGOR: I could get it for you.

Mr. MUIR (*Lisgar*): What type of aircraft do you look after at Winnipeg?

Mr. MCGREGOR: We look after Viscounts and Dart engines at Winnipeg.

Mr. MUIR (*Lisgar*): Can you give me the number of employees for last year and this year at Winnipeg?

Mr. MCGREGOR: I would say the number as at December, 1963 on maintenance and overhaul was 847, in September, 1963, 854; in June, 1963, 855; in March, 1963, 852 and in December, 1962, 866.

Mr. MUIR (*Lisgar*): Are you going backwards in respect of those figures?

Mr. MCGREGOR: Yes, and giving the dates.

Mr. MUIR (*Lisgar*): In other words there were more employees at the end of December than there in June?

Mr. MCGREGOR: I was referring to December of 1962.

Mr. MUIR (*Lisgar*): There were 847 employees at that time?

Mr. MCGREGOR: There were 847 employees in December of 1963.

Mr. MUIR (*Lisgar*): Yes, and what was the figure in respect of December 1962?

Mr. MCGREGOR: The figure in that regard is 866.

Mr. MUIR (*Lisgar*): What is the number of employees at the present time, do you know?

Mr. MCGREGOR: As at April the number of employees was 845.

Mr. MUIR (*Lisgar*): Did you say 845?

Mr. MCGREGOR: Yes.

Mr. MUIR (*Lisgar*): How is that statement reconciled with a statement made in a letter the Minister of Transport has written to Mr. Thompson, who is going to be a new commissioner, to the effect that the Prime Minister of Canada has already indicated publicly that it is the policy of the government of Canada to do everything possible to maintain employment at this base and, if possible, to increase it? I should state also that during the last hearings of the special committee this assurance was given, and that for a period up to 1970 the number of employees would be at least maintained if not increased. The figures which you have just given us seem to indicate that that is not happening.

Mr. MCGREGOR: I think that your statement is quite incorrect. So far as I know the statement was made that the base would be maintained through to 1972. I do not think there was any mention made of employees.

Mr. MUIR (*Lisgar*): I think I can give you the quotation.

Mr. MCGREGOR: Yes.

Mr. MUIR (*Lisgar*): We can disagree in that regard, whether such a statement was made or not, but I can assure you that I can prove it was made not only in the House of Commons but to the special committee. We will leave that subject in abeyance for the time being.

I should just like to read from a paragraph in a telegram which was sent to the Prime Minister in which the sender has the following to say:

The worst fear of T.C.A. Winnipeg employees, that your assurance to Manitoba would be contravened is now happening. The closing of Winnipeg T.C.A. facilities has officially begun.

In Winnipeg there are manpower surpluses due to work shortages (created by low Viscount utilization). In Dorval there are manpower shortages due to work surplus. The obvious solution and in line with your commitment to Manitoba is, to ship work to Winnipeg, particularly Viscount work which is now done in Dorval under the guise of economic efficiencies.

I will break into the quotation at this moment to ask you again whether there are any Viscount aircraft being repaired at Dorval?

Mr. MCGREGOR: There are no Viscounts being repaired at Dorval whatsoever and there never has been any overhaul work done there on Viscounts or Dart engines. That last telegram sentence is a straight lie.

Mr. MUIR (*Lisgar*): Let us say the man was misinformed.

Mr. MCGREGOR: He is not an official of the union, either.

Mr. MUIR (*Lisgar*): Perhaps I may continue with this quotation as follows:

Winnipeg employees are now required to indicate their choice of filling Dorval vacancies. If the vacancies are not filled by Winnipeg personnel, the results will be lay-offs in Winnipeg. This very clearly is coercion, either move to Dorval or face termination of employment.

Do you agree with that statement?

Mr. MCGREGOR: The first part of the statement is correct, but this is not coercion.

Mr. MUIR (*Lisgar*): The fact is that this group of people whose employment has been terminated in Winnipeg have been given the choice to go to Dorval or get out; is that right?

Mr. MCGREGOR: The vacancies that exist at Dorval have been posted at Winnipeg and the employees have the right of bidding in under our agreement between the unions and the air line. I have the figures regarding the results of



that bidding-in. There were something like 57 bid ins for 20 vacancies at Dorval.

Mr. MUIR (*Lisgar*): Would you think the reason for that bidding in is that they are afraid they are going to lose employment in Winnipeg?

Mr. MCGREGOR: I think so, yes.

Mr. MUIR (*Lisgar*): You are willing to say that you think the employment in Winnipeg will drop still further?

Mr. MCGREGOR: As the employment relates to our Viscount operation, yes. I have no doubt that the Prime Minister had some other thoughts in mind, but what the implementation of those ideas will do or how much work they will produce I do not know.

Mr. MUIR (*Lisgar*): As far as T.C.A. is concerned you feel that the level of employment will drop?

Mr. MCGREGOR: Yes. Because the operation of Viscount time is dropping and the number of Viscounts in operation is dropping, and because the length of time between the overhaul of Dart engines is increasing, which tends to release employment, I think that is true. It is not our aim to employ more people at Winnipeg than that number for which we have useful work.

Mr. MUIR (*Lisgar*): In other words, when you phase out the Viscounts you see no necessity of Air Canada keeping the repair base in Winnipeg?

Mr. MCGREGOR: Are you referring to the time when Viscounts are out of operation?

Mr. MUIR (*Lisgar*): That is right.

Mr. MCGREGOR: That is correct.

Mr. MUIR (*Lisgar*): You do not see any reason for that repair base at all at that time?

Mr. MCGREGOR: No.

Mr. RHÉAUME: I should like to ask a short question.

The CHAIRMAN: I think Mr. Muir has been asking questions in respect of personnel regarding this item and I hope that we are not going to deal with personnel at this time.

Mr. RHÉAUME: I should like to ask Mr. McGregor several questions in relation to facilities offered by Trans-Canada Air Lines under what is known as the Fin Fur and Feather Club whereby Trans-Canada Air Lines makes available elsewhere in the world brochures in respect of various operations in Canada which can be visited through the use of T.C.A. travel. This program tends to be a sort of package deal offered to individuals coming to and going away from these lodges. The reason I am asking these questions in this regard is that I am not sure of the ground rules, and I should like to bring to the committee's attention a serious kind of problem that has arisen in respect of this specific thing in Winnipeg.

Mr. MCGREGOR: You are referring to something which happened in Winnipeg?

Mr. RHÉAUME: Before I make that specific reference I wonder whether you could give me some information in respect of the ground rules of this Fin, Fur and Feather Club?

Mr. MCGREGOR: I am not an expert in this regard but I know it is a sales gimmick that has been going on for two or three years, and I believe agencies are involved. I do know that we sponsor shows, particularly in the larger United States cities, basically plugging sportsmen attractions in Canada.

I am not familiar with the ground rules of which you speak.

Mr. RHÉAUME: The specific complaint I should like to bring to your attention for comment relates to a Canadian tourist operator in Winnipeg, Warren Plummer who operates Plummer lodges at various places in the north. I have been advised by this company that Trans-Canada Air Lines has refused to advertise their facilities, as they do in respect of any other Canadian facility, unless this tourist lodge company is prepared to pay ten per cent of the travel fee to the agent booking the flight. I hope you will correct me if I am wrong, but when the Fin, Fur and Feather Club was started the acceptance by Trans-Canada Air Lines of facilities for promotion was like a good housekeeping stamp of approval and T.C.A. would then use these brochures because the facilities met certain requirements and were perhaps regarded as first class operations. If the complaint from the Winnipeg firm is correct I can assure you it has nothing to do with the adequacy of the facilities offered but rather because the operator is not prepared to pay the ten per cent commission.

Mr. MCGREGOR: The ten per cent happens to represent the commission paid on group tours to agents under the A.T.C. regulations and, as such, is perfectly legitimate and does not go to T.C.A.

Mr. RHÉAUME: I am aware of that situation.

Mr. MCGREGOR: I do not think that T.C.A. ever set itself up as an examiner of the various camp facilities, or to make sure the fish were biting, and so on. I think we are prepared to distribute the brochures we get and accept them at face value.

Mr. RHÉAUME: Would you feel then in terms of facilities offered by companies overseas and so on and the treatment afforded to those companies should also be available to Canadian operations, and Canadian operations should be eligible for listings on equal terms by T.C.A. booths operated at fairs.

Mr. MCGREGOR: I would think so if they are prepared to meet the conditions, yes.

Mr. RHÉAUME: You feel that if the company refuses to pay ten per cent commission therefore Air Canada should not promote their brochures on a basis equal to any other companies brochures?

Mr. MCGREGOR: That is quite right because they do not know how the agent will be looked after.

Mr. RHÉAUME: But there is no money involved as far as Air Canada is concerned?

Mr. MCGREGOR: There is no money involved other than in respect of transportation.

Mr. RHÉAUME: What I am suggesting to you is that any company operating in Canada ought to have equal promotion through Trans-Canada Air Lines facilities overseas and in the United States and other fields, and I am not referring to commissions, as any other company, and the arrangement between travel agencies and tourist bureaus should be a matter to be settled between them and not a matter for Air Canada to consider. I do not think that Air Canada should get into the act, so to speak; what I am suggesting, Mr. McGregor, is that if I were a tourist operator and prepared to pay the travel agency, let us say ten per cent, for booking flights to my area I am not sure that is really any business of Air Canada's and if Air Canada is going to operate booths to promote travel Air Canada should not worry about what I am doing and what my relationships are with my agent.

Mr. MCGREGOR: I suppose the answer to your question Mr. Rhéaume, is that we have two choices in this regard. Either we can stop entirely trying to promote sportsmen travel into Canada, which we naturally are doing, or we can require the people whose brochures we do handle to meet the A.T.C. regulations in respect of the ten per cent agent's fee.

Mr. RHÉAUME: The ten per cent charge is in respect of group travel.

Mr. MCGREGOR: That is right.

Mr. RHÉAUME: It is not a charge in respect of individual travel.

Mr. MCGREGOR: That is right.

Mr. RHÉAUME: So by insisting upon the ten per cent commission for the travel agent T.C.A. is in effect insisting on higher commissions than ordinary; is that right?

Mr. MCGREGOR: That is not right if it applies to a group.

Mr. RHÉAUME: I am referring to individual travel.

Mr. MCGREGOR: The charge in respect of individual travel is not ten per cent. I believe the charge is seven per cent, if I remember correctly.

Mr. RHÉAUME: In the case to which I have referred there is more involved than just the ten per cent charge. I have given your officers the correspondence covering the situation in detail. This is an important complaint because it involves a particular operator who moves quite a few hundred United States passengers back and forth across the border into and out of Canada. He is sufficiently irritated by this situation that he is going out of his way to transport people by other air lines services than Air Canada. He is doing this for spite and says so, but as a Canadian it bothers him to do so. He has indicated that if Air Canada is going to promote United States lodges by brochure he is going to kick the giant in his own little way.

Mr. MCGREGOR: I would suggest that if he is arranging for group travel he is still paying the ten per cent whether he is using T.C.A. or another line.

Mr. RHÉAUME: The operator to whom I have referred operates one Canadian company that does not use the services of travel agents but prefers to spend its own money on its own promotion work. I am wondering whether the whole business of the Fin, Fur and Feather Club would bear some sort of examination in an attempt to see the direction in which it is moving.

Mr. MCGREGOR: That might well be the case and we will certainly have a look at it. You have indicated that the correspondence is in our possession?

Mr. RHÉAUME: Yes.

Mr. MCGREGOR: We certainly will have a look at the situation. I think the alternative would be far worse from a Canadian standpoint. That is to shut the operation down.

Mr. RHÉAUME: The reason I have made reference to this situation at this time is that I know this company very well and that it does a great deal of good business in Canada with most of its money being spent in respect of air transportation in view of the fact they are bringing a great number of people into the Arctic. I think the operator is an important and reliable man and do not feel his complaints are frivolous. I will pursue this subject personally at a later date. That is all, thank you.

Mr. MCGREGOR: Thank you.

The CHAIRMAN: Mr. Tucker, do you have a question?

Mr. TUCKER: Mr. Chairman, the question I wish to ask Mr. McGregor may have already been asked and answered. If that is the case I hope you will indicate that fact to me.

I should like to know whether T.C.A. has experienced any inconvenience and loss of revenue as a result of the fact that passengers do not reconfirm their intentions of using the services but do not cancel their reservations?

Mr. MCGREGOR: Yes.

Mr. TUCKER: These individuals do not reconfirm their intention of using their reservations?



Mr. MCGREGOR: In most cases the individuals are required to reconfirm or lose the reservation. That is not the difficulty of which we are speaking, Mr. Tucker. It is in the case of an individual who makes a legitimate reservation and because of circumstances does reconfirm but does not show up for the flight which causes the expense to the operation in the case of a crowded flight, of course, because this means a seat goes empty when a revenue passenger could have been using it but is denied the privilege of doing so.

We do have some figures on percentages of no-shows available, all classes combined, on a quarterly basis. In the first quarter of 1963 there was 6.8 per cent of our reserved passengers who did not show up. In the second quarter there were 5.8 per cent, in the third quarter 4.5 per cent and in the fourth quarter 5.2 per cent.

The corresponding figures for the industry in North America are six per cent, 6.5 per cent, 6.8 per cent, and we do not have the figure for the fourth quarter. The corresponding figures in respect of American Air Lines for the first three quarters are 5.1 per cent, 6.4 per cent and 6.4 per cent; in respect of T.W.A., 6.6 per cent in the first quarter, 6.6 per cent in the second quarter and 8.2 per cent in the third quarter. It would seem from those figures that we are in the area of the industry's average; somewhat better in that we had a somewhat lower percentage of no shows, and better than the two largest transcontinental carriers in the United States that I mentioned.

Mr. TUCKER: What do you estimate the loss of revenue to be roughly?

Mr. MCGREGOR: I do not believe we have ever attempted to estimate the loss of revenue because it would depend whether the seat made vacant by a no-show could have been used by a revenue passenger and that is not too easy to determine.

Mr. TUCKER: There is a definite loss in this regard?

Mr. MCGREGOR: Yes, there is an unquestionable loss.

Mr. Grégoire mentioned to me on the way up to Ottawa on Sunday night that he had asked for a reservation, had difficulty getting it, and then found there were empty seats on the flight.

Mr. TUCKER: I have experienced that situation as well.

Mr. MCGREGOR: Everybody has experienced this situation. Those empty seats are primarily the result of no-shows.

Mr. TUCKER: I suppose a solution to this difficulty would involve the traveling public being a little more courteous and thoughtful of the other individuals?

Mr. MCGREGOR: I think that is true. I think Canadians probably are a little bit better behaved in this area, as these figures would indicate, than perhaps other nationalities. One would not dare to forget to cancel an appointment with a doctor, an oculist or a dentist if one cannot keep the appointment because his timetable is crowded, but I do not think the same attitude has penetrated into the public's mind in respect of air lines reservations.

Mr. TUCKER: There is not much your officials can do about this situation?

Mr. MCGREGOR: There is not much we can do except continue, and this is regarded by many people as a nuisance, the reconfirming procedure. This represents quite a safeguard against the occurrence of this no-show situation.

The CHAIRMAN: We are now discussing the item on equipment and facilities. I realize it is very easy to stray but I hope we will confine our questions to that item.

I have you on my list as the next questioner, Mr. Rock?

Mr. ROCK: I have no questions to ask.

Mr. KINDT: Mr. Chairman, I should like to ask Mr. McGregor to express the views of the air lines toward the abandonment of the first class category

and the adoption of an entirely economy category in respect of DC-8's and Viscounts. I ask this question perhaps because this is a country where everyone is equal with members of parliament being at the bottom of the totem pole, having to travel economy. If everyone travelled economy a lot of headaches and problems on the part of the air lines officials would then disappear. Whenever I attempt to get an economy reservation I am unable to do so and must reserve a first class seat and have to pay the difference. I think there is a problem in this regard resulting from the adoption of a category which does not add additional revenue to the air lines, if I read your report correctly. In other words, if all the space in your aircraft was devoted to an economy category your revenue could be expected to exceed that which you derive from the first class category at this time; is that right?

Mr. MCGREGOR: I would not be sure of that; in any event, to refer to the basic problem, I suppose everybody is equal but some people are more equal than others. The fact is that one major carrier in the United States quite recently adopted a one class policy. I am referring to United Air Lines. That one class is really neither economy nor first class but half way between the two in the matter of seating dimensions, space between seats and price. The officials of United Air Lines suggest that this is a fine thing but, their arch-rival, American Air Lines, which flies parallel on several routes indicate this is a fine thing for it because the potential first class passenger is not satisfied with the compromise quality of service, and their economy passenger is not satisfied with the slightly higher price. American Air Lines claims, having retained the two class service, it is getting better traffic since United have moved to the one class operation.

Quite frankly, we are keeping a very careful watch on this situation. We have even done a pricing on a one class service in respect of our Viscount aircraft. All I can assure you is that we are looking at this very carefully, but there is argument on both sides, as there is in respect of most of these things.

Mr. RHÉAUME: Just as a point of interest, Mr. Chairman, United Air Lines announced today it was dropping the one class passenger service and adopting a three class passenger service. This announcement appeared in today's press reports.

Mr. KINDT: What did you say?

Mr. MCGREGOR: The example I have cited has suddenly ceased.

Mr. KINDT: Did you say they were adopting a three class policy?

Mr. RHÉAUME: The announcement suggests the company will introduce a three class single aircraft service on flights to Chicago, Cleveland, Philadelphia and other places.

Mr. MCGREGOR: I do not go along with them in that idea.

Mr. BASFORD: Mr. Chairman, I should like to refer again to questions in respect of the New York terminal. Was the company offered space by the port authorities some years ago?

Mr. MCGREGOR: Do you refer space on which to erect a building?

Mr. BASFORD: Yes.

Mr. MCGREGOR: I think you may be right in that regard.

Mr. BASFORD: What was the cost involved in that offer?

Mr. MCGREGOR: I have no idea of the cost involved. I know the cost of an individual building in the area was in the multimillion dollar area.

Mr. BASFORD: What does the company intend to spend on renovations of its existing premises?

Mr. MCGREGOR: The sum of \$150,000.

Mr. BASFORD: What is the life expectancy?

Mr. MCGREGOR: The life expectancy in that regard is 18 months.

Mr. BASFORD: What will happen at the end of the 18 month period?

Mr. MCGREGOR: I understand we will be in with somebody else. Mr. Harvey has three balls in the air at the present time.

Mr. BASFORD: I understand there is no definite decision in this regard but can you assure me that there will be new terminal facilities in 18 months of some kind or another?

Mr. MCGREGOR: I do not think I can give you that assurance. I will assure you that we will do our utmost to provide those facilities.

Mr. BASFORD: What is the company doing in respect of hovercraft with particular application to the Vancouver-Victoria line?

Mr. MCGREGOR: We are not very entranced with the hovercraft. Many of us went on experimental flights when it was here last year but none of us flew up the Lachine rapids as the aircraft did, if you call it that. But, we do not think that on a standard scheduled run of that kind it has a good potential.

Mr. BASFORD: Is the company spending any money on research or development?

Mr. MCGREGOR: Not on research or development. We confine ourselves to engineering analysis of products that are developed and engineered by other firms. We never have done any specific research on our own and I do not know of any air line which has.

The CHAIRMAN: I would ask members to please note that it is essential that members speak into their microphones because otherwise we cannot get a translation.

*(Translation)*

Mr. BEAULÉ: Mr. McGregor, if I understood correctly a while ago, the baggage maintenance equipment inside stations is under the jurisdiction of the department of Transport, and in the airport yards, the carts, cars and tractors belong to Air Canada?

*(Text)*

Mr. MCGREGOR: That is correct.

*(Translation)*

Mr. BEAULÉ: Coming back to Ancienne-Lorette, would it not be possible to obtain more modern equipment for the handling of baggage?

*(Text)*

Mr. MCGREGOR: We use the towed trailer at every airport. I do not know of anything more modern.

*(Translation)*

Mr. BEAULÉ: At Ancienne-Lorette, Mr. McGregor, they have a tractor to which is tied a large box. That box is filled with luggage which is taken to the baggage counter, and they go back to the plane to get more luggage and bring it to the counter. At Ancienne-Lorette, we see few of those carts you mentioned. At that airport, it is a large box attached to a tractor.

*(Text)*

Mr. MCGREGOR: Well, I must say it is some time since I have been in Quebec airport. Can you give us any information on the availability of baggage trailers? I would be glad to look into this for you. If they are short or are not there at all we certainly will remedy the situation.

*(Translation)*

The CHAIRMAN: Do you wish to ask another question, Mr. Beaulé?



Mr. BEAULÉ: No, it is a question concerning the personnel.

The CHAIRMAN: Mr. Balcer.

(Text)

Mr. BALCER: Mr. McGregor, I would like at the present time to know if the company is engaged in any discussions with helicopter manufacturers in respect of the possibility of a short haul service between, say, Ottawa and Montreal or Ottawa and Toronto?

Mr. MCGREGOR: Well, Mr. Balcer, we keep ourselves in continuous touch with the technical developments of helicopters and we are continually hopeful. We price the operation but are continually frightened away by the high operating cost per seat mile of any helicopter we know of up until now. But as I said, we remain hopeful that the economies will improve.

Mr. BALCER: But you have placed yourself in the position that if there is a financial possibility of operating a fleet of helicopters that you will be able to compete with others?

Mr. MCGREGOR: Oh yes.

Mr. BALCER: You are interested in that field if and when it becomes economically feasible.

Mr. MCGREGOR: Perhaps I should say this. We are interested in anything that will produce a condition where we can pick up passengers and deliver them closer to their basic destination, such as city centres and so on, and which will improve the over-all time and not deteriorate the relationship between revenue and expense.

Mr. BALCER: I recall when I was minister of transport one company invited me for a trial run between the Chateau Laurier and the Queen Elizabeth hotel in Montreal. The plan at the time was for this to carry about 26 people and it would make the trip between the two hotels in 40 minutes. However, although it sounded very interesting it never materialized.

Mr. MCGREGOR: Exactly. Most of the organizations that become terribly interested in helicopters, when they really get down to pricing the operation carefully, find, as we have over the years, that it does not make good sense. As you know New York air lines operate helicopters, and they have an operation between the three New York terminals and downtown Manhattan. I think that is the most highly subsidized air operation in the world. Also, Sabena have done some extensive experimenting in this area, basically charging off the cost of helicopter operations to their transatlantic operation which it feeds. But, the fact is by the very nature of the best helicopters tend to be very expensive because they are completely dependent on the mechanical integrity of the rotor heads, even if there is more than one, and these require very frequent close examinations and overhaul.

There are other reasons why it is expensive. I suppose over the years, as the basic size of the vehicle increases and better techniques are developed for rotor rotation we may see the cost come properly into line. You may remember that there was another firm which investigated very strongly this possibility and they obtained a licence to operate between Dorval and downtown Montreal. However, they never started.

The CHAIRMAN: Is the section headed "equipment and facilities" carried. Some hon. MEMBERS: Carried.

The CHAIRMAN: "Personnel" is next.

Would you proceed, Mr. Prittie.

Mr. PRITTIE: Mr. McGregor, in looking at a recent issue of *In Flight* I noted an article about the training of stewardesses. It mentions a period of five weeks

and how much they are paid per month while training, and it ends up with this statement:

While she is engaged in a demanding yet rewarding occupation, the average T.C.A. stewardess flies only about 18 months before exchanging her wings for a wedding ring.

Do you require the young ladies to resign when they become married?

Mr. MCGREGOR: Yes.

Mr. PRITTIE: Do you make this requirement immediately?

Mr. MCGREGOR: If we catch them at it, yes.

Mr. PRITTIE: It seems to me that you must spend quite a bit of money in the training of these girls and as a result of them becoming married in a very short time I would think you would lose the total value of your investment.

Mr. MCGREGOR: It is twice as long as it used to be.

Mr. PRITTIE: Is this policy followed in respect of other air lines, that they must resign when they get married?

Mr. MCGREGOR: I cannot be sure of that but I do not think so.

Mr. PRITTIE: Have you ever thought of changing your policy in that respect?

Mr. MCGREGOR: Yes, and decided against it.

Mr. PRITTIE: You do not wish to elaborate?

Mr. MCGREGOR: I would prefer not.

Mr. PRITTIE: At what age are your air stewardesses required to stop flying?

Mr. MCGREGOR: Perhaps Mr. Benson would answer that question.

Mr. D. W. BENSON (*Assistant Director, Passenger Services, Trans-Canada Air Lines*): When the stewardesses are hired they agree their services will terminate at 34 years of age.

Mr. MCGREGOR: But in what age brackets do we accept them as candidates?

Mr. PRITTIE: That is in the report; it says up to 27.

Mr. BENSON: Age 26 is the maximum age at which we will accept them.

Mr. PRITTIE: I note that the American air lines require them to stop flying at the age of 32.

Do you have any other work for the young ladies who wish to remain in the company afterward?

Mr. MCGREGOR: It depends on their qualifications. We would like to continue their employment if they are able to do other jobs. There have been a certain amount of transfers into the passenger agent field and many of them, through their previous training, are fitted for that type of work. Because they cease to be an effective stewardess there is no reason why we should sever our relationship with them.

Mr. PRITTIE: I am quoting now from an article which appeared in the *Ottawa Journal* on December 5 of last year, which says:

Trans-Canada Air Lines is being forced to concentrate its stewardess recruiting program in Europe to fulfill a policy of hiring only bilingual girls.

Are you still recruiting in Europe in order to fulfill this requirement?

Mr. MCGREGOR: I think so. However, our bilingual requirements are confined to the Dorval base.

Mr. PRITTIE: Is your school not turning out a sufficient number of bilingual stewardesses so that you do not have to go to Europe to recruit?

Mr. MCGREGOR: Mr. Harvey has drawn my attention to the fact that our basic importation of stewardesses is confined to the trilingual group, which Mr. Benson referred to yesterday, and those are required basically for the trans-Atlantic operation to Europe. I think the three languages usually are French, English and German. There were a total of 14 for the year 1963.

Mr. PRITTIE: I can understand you hiring in Europe if you require German speaking stewardesses although I am sure there are many Canadians who could do that. But, the article suggested that it was for those who could speak French and English.

Mr. MCGREGOR: Well, I think that is wrong. I think we can get those who can speak French and English locally, with a struggle. We did a tremendous amount of advertising; we even made a very seductive movie of the life of a stewardess, and even that did not produce the flow of applicants we had hoped for.

Mr. PRITTIE: How many groups have been through your bilingual training school or your bilingual course for the flight personnel?

Mr. BENSON: Two groups, with a total of 51 flight attendants.

Mr. PRITTIE: Are you satisfied that those who did not speak French initially are really bilingual now?

Mr. MCGREGOR: Yes. Fluency is a relative term, but we feel they can carry on a satisfactory conversation in either language in the areas to which they are assigned. I have no doubt that their speech is accented either way, depending on which is the mother tongue.

Mr. PRITTIE: I understand you have a contract with the school, but do you give them a company examination to satisfy yourselves on their ability?

Mr. MCGREGOR: Yes.

Mr. PRITTIE: I have one other question.

Last year I put a question on the order paper in respect of pilots who had been furloughed, and part of the answer was:

In so far as the May, 1963 group is concerned, no definite date for recall was indicated, although it is anticipated that this group will be required during 1964.

Are you getting back some of these furloughed pilots now?

Mr. MCGREGOR: Yes, many of them.

Mr. KINDT: There was a time, Mr. McGregor, when air lines gave a preference to nurses when hiring. Is that policy being continued?

Mr. MCGREGOR: That was a requirement at one time.

Mr. KINDT: But am I correct in assuming that you pay no attention to it now?

Mr. MCGREGOR: We will give a preference.

Mr. KINDT: Is it because of the unavailability of nurses?

Mr. MCGREGOR: We give a preference but it is not a requirement.

(Translation)

The CHAIRMAN: Pardon me, Mr. Berger, I had written Mr. Matte's name on my sheet.

Mr. BERGER: Mr. McGregor, I must say first of all that I am pleased to see that of late you are paying attention to the cause of bilingualism. In the riding which I represent and which is approximately 99 per cent French-speaking, a few young girls were interested in becoming air stewardesses. In particular, a young lady from my county studied in a private school in Toronto and I understand her marks were good. She applied for a position with your



firm, and for reasons which I could never find out, she was not accepted. She wrote to find why, but she did not receive a satisfactory answer. I wrote personally, and I was told that it was not in the best interests of the young girl to tell her why she was not acceptable by Air Canada as an air stewardess. This young lady is somewhat disappointed. I think that she is fairly bilingual, although she evidently speaks French better. She told me that she could resume studying English if that was the reason why she had been refused. She has a fine personality. I have come to the conclusion that the young lady, who is quite disappointed to have been rejected, is wondering why she was refused by Air Canada as an air stewardess. She is under the impression that there might be some discrimination, and that the English speaking stewardesses who speak some French are preferred to the French-speaking stewardesses who speak English fairly well. She spread that feeling in her surroundings, and I well understand her. Now, you girls who could become excellent air stewardesses do not wish to apply with Air Canada because they say that in spite of the bilingualism which you advocate and which you apply at present, there still remain some discriminatory measures.

Would it be possible to find out why this young lady was refused, so that she will not delude herself anymore and say to others why she was not accepted? Why was she not told the real reason? I am somewhat mystified, and I would like to know the reason, so I can inform other pretty, efficient and intelligent young French-Canadian girls who could become quite an asset to the personnel of Air Canada.

(Text)

Mr. MCGREGOR: Can you tell me whether the applicant in question had a medical examination?

(Translation)

Mr. BERGER: I am practically convinced of this. She had already been examined, on her own, by her family doctor, and everything seemed to be fine in that respect. She herself wanted to know if that was the reason, and she asked if whether it was a matter of health, but they never gave her an answer. They said that it was not in the best interest of the young lady and that such information was not being given.

(Text)

Mr. MCGREGOR: I do not know anything about the case you are mentioning but I do know that if she had a company medical that might provide the answer to your question, and that is the only answer I can think of why she would not be told. All our flight crew, both cabin personnel and pilots, are given particular attention in respect of medical examination from a psychological point of view, and their ability assessed in respect of, to be colloquial, keeping their heads in an emergency. If the girl to whom you have made reference was found wanting in this area, and this is only conjecture on my part, it would be good business either for the company, or for the girl, for the officials to say we have examined you medically and have found you are potentially unstable.

Mr. MCGREGOR: If you would like to have us check into the specific case we will be glad to do so. Certainly there is no discrimination involved of which I am aware. In fact the great proportion of our total bilingual flight attendants have French as their mother tongue.

Have you anything to add to this?

Mr. BENSON: One basic problem in this regard is that we must interview 20 girls before hiring one. We interviewed 4,000 girls this year and hired a total of 200. Of the 200 girls hired 189 are basically French-speaking girls. Another

impossibility is involved in attempting to explain to 3,800 girls why they were not hired.

Mr. MCGREGOR: What you are suggesting is there is a high proportion of rejections for what we believe to be good reasons?

Mr. BENSON: There are 19 rejections out of 20 interviews.

Mr. BASFORD: In respect of the bilingual schools, what has been the reason for the two in 51 failure record?

Mr. MCGREGOR: You are referring to the failures in the bilingual training schools?

Mr. BENSON: When a flight attendant has not reached the required grade that flight attendant is told and given a period of time in which to obtain additional instruction and reach a passing grade. Of the 51 people trained this year five did not reach the required minimum and we gave them an opportunity to come up to that minimum. Of the five I think three have now attained the grade, so there are only two failures.

Mr. BASFORD: What happens to those that do not pass?

Mr. MCGREGOR: I think they are transferred out of the Montreal base, are they not?

Mr. BENSON: They are ultimately transferred out of the Montreal base.

Mr. BASFORD: To where are they transferred?

Mr. MCGREGOR: Perhaps they are transferred to Winnipeg or Vancouver.

Mr. BASFORD: Of course, to be transferred to Vancouver would be an improvement.

Mr. MCGREGOR: I suppose there is a question in that regard.

Mr. BASFORD: Are those individuals restricted to certain flights.

Mr. MCGREGOR: I assume they would be put on the regular block assignment.

Mr. BASFORD: To which routes are unilingual stewardesses restricted?

Mr. MCGREGOR: I suppose they could operate as far east as Winnipeg.

Mr. PRITTIE: Perhaps they could operate as far east as Toronto.

Mr. MCGREGOR: They could perhaps operate as far east as Toronto.

Mr. BASFORD: Their future with the company as a result is quite limited?

Mr. MCGREGOR: That is right, but all they have to do is learn to speak French.

Mr. BASFORD: Some of us have great difficulty doing that.

Mr. MCGREGOR: Yes, and I am one of those individuals.

Mr. BASFORD: Have any personnel been fired by reason of an inability to learn to speak French?

Mr. MCGREGOR: Not that I know of.

Mr. BENSON: No.

Mr. MCGREGOR: The answer is no.

Mr. BENSON: None will be fired because of that inability.

Mr. MCGREGOR: Our turn over is sufficient to keep us busy just to hire sufficient stewardesses whether they be unilingual or not.

Mr. RHÉAUME: I should like to ask several questions in respect of a subject other than that involving bilingualism. I should perhaps check with the Chairman to make sure we are now discussing the item on personnel and that I am entitled to ask questions in respect of the board of directors, or is this the appropriate place to deal with that matter?

Mr. MCGREGOR: They would not be flattered, but I guess it would be all right.

Mr. BALCER: I should like to ask what your policy is in respect of male stewards. Are you increasing the number of male stewards in your employ, or do you use male stewards only on trans-Atlantic flights?

Mr. MCGREGOR: I think we have one purser or purser steward on all DC-8 flights.

Mr. BENSON: That is also true in respect of some Vanguard flights.

Mr. BALCER: I have received some inquiries, mainly from male stewards, wanting to find out whether there is any real future in this field. Is it your policy to increase the number of male stewards on DC-8 flights or is it a policy to have one male steward and three or four stewardesses in this regard?

Mr. MCGREGOR: I think we now have two male stewards on trans-Atlantic flights; is that not right?

Mr. BENSON: We also have two male stewards on flights to the south.

Mr. MCGREGOR: We have two male stewards on trans-Atlantic flights and on DC-8 flights to the south. That is, to the Caribbean and so forth. They are sometimes required to cope with the alcoholic situation.

Mr. BALCER: They are very good.

Mr. MACEWAN: I should like to ask a supplementary question. A change was made in the number of female stewardesses on Viscounts and Vanguards last year, Mr. McGregor; is that correct?

Mr. MCGREGOR: Yes.

Mr. MACEWAN: Is there now one stewardess on Viscounts and two on Vanguards at the present time?

Mr. MCGREGOR: I think that is basically correct.

Mr. MACEWAN: Yes. Is that policy working out well?

Mr. MCGREGOR: Yes. I will ask Mr. Benson to answer that question.

Mr. BENSON: The policy is to have one or two stewardesses on Viscounts depending upon the requirement to serve meals; whereas in respect of Vanguards there are four female stewardesses and often one male steward on flights to Bermuda and the Caribbean. On domestic Vanguard flights there are three female stewardesses.

Mr. MACEWAN: The policy is to have three females and one male on Vanguard flights?

Mr. BENSON: That is not always the case in respect of Vanguards.

Mr. MACEWAN: Do you find the work is being done as efficiently by a lesser number of stewardesses?

Mr. BENSON: They all must work a little harder and they do not accomplish perhaps as much; however, the service is more efficient.

Mr. MCGREGOR: They do not get in each other's way.

To supplement the answer to Mr. Balcer's question, I think there is a continuing requirement for male cabin attendants. Is that right Mr. Benson?

Mr. BENSON: That is very definitely so.

Mr. KINDT: I have a supplementary question.

The CHAIRMAN: Have you concluded your questions Mr. MacEwan?

Mr. MACEWAN: Yes.

The CHAIRMAN: I have Mr. McBain's name on my list as the next questioner unless your question is very short, Mr. Kindt.

Mr. KINDT: I have a very short question I should like to ask. We are very hopped up about this question of bilingualism, and it seems as though both languages have to be used regardless of the location of the aircraft in Canada or elsewhere. After leaving Calgary last night announcements were given in



both French and English in spite of the fact that half of the passengers on the DC-8 were Chinese. Apparently there was something big going on in Toronto.

Mr. COWAN: There always is.

Mr. KINDT: I think the announcements might better have been given in Chinese rather than French. I am sure that the Chinese got along all right because most of them I imagine can speak English. Are we not overdoing this bilingualism effort when applied to all parts of Canada including those areas where everyone understands English? I know that I am perhaps touching upon a subject which we have discussed at our bilingual meetings out west, nevertheless it is a little disturbing to some of the people in that area. No one objects very strenuously in this regard but many feel it is a useless practice.

Mr. BEAULÉ: I have a short question I should like to ask.

Mr. ROCK: I do not think anyone has had this situation forced upon them in that manner.

Mr. KINDT: That policy is being forced in respect of air lines services, and if the air lines wish to drop that practice in respect of those areas to which I have referred I think it would be appreciated.

Mr. BALCER: That does not accurately represent the type of report I have received from my friends all across Canada. I think the Trans-Canada Air Lines officials should be congratulated for the effort they have made in this regard, and I should think the policy should be continued.

Mr. FISHER: I think this is a great tourist attraction.

The CHAIRMAN: Order.

Mr. MCBAIN: I should like to ask Mr. McGregor one question, Mr. Chairman.

Mr. MCGREGOR: If I may, Mr. McBain, I should just like to comment on the situation to which Mr. Kindt has referred. I would think the bilingual announcement on a flight out of Calgary was very unusual. We attempt to relate our use of the two languages basically to the area where they are both prevalent.

Mr. KINDT: My point is, Mr. McGregor, that I feel this policy should be adhered to in those areas.

Mr. MCGREGOR: We try to adhere to this policy but somehow or another a bilingual stewardess got on a Calgary flight.

Mr. KINDT: I am in favour of bilingualism and have no objection to your policy in that regard.

Mr. MCGREGOR: I understand your point of view and suggest this is what we are attempting to do.

Mr. BALCER: I should just like to say that while travelling in the other provinces of Canada and hearing bilingual announcements I feel very good, and I hope that this policy will be carried on, because for a French Canadian to be in British Columbia on a Canadian aircraft it is very pleasant to hear French, and it makes one feel at home all across Canada. I think that is perhaps the purpose of the policy of T.C.A. to make all Canadians feel at home on Canadian aircraft. I think T.C.A. should be encouraged and congratulated in their efforts in that direction.

Mr. MCGREGOR: Thank you, Mr. Balcer.

Mr. BERGER: I would second that statement very strongly.

Mr. MCBAIN: Can you tell me how many stewardesses are employed by Air Canada?

Mr. MCGREGOR: Yes. There are 565 stewardesses employed by Air Canada.

Mr. MCBAIN: Does that figure include those who are in training?

Mr. MCGREGOR: No. That figure applies to stewardesses assigned to line service.

Mr. MCBAIN: Thank you.

Mr. RHÉAUME: I wonder whether I may be allowed to ask a question on this subject?

The CHAIRMAN: I thought you had concluded your questions in respect of personnel, Mr. Rhéaume?

Mr. RHÉAUME: I have not even started yet, Mr. Chairman.

The CHAIRMAN: Mr. Rhéaume, I understood you wanted to ask questions in respect of the board of directors rather than personnel.

Mr. RHÉAUME: I thought the item personnel was the appropriate one to discuss questions in respect of the board of directors?

The CHAIRMAN: I thought we would leave those questions until the end of our discussion of this item.

Mr. RHÉAUME: If we are finished with the girls, perhaps we can continue.

(Translation)

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: A rather short question. I want to ask Mr. McGregor if it would not be possible to provide for another employee at the ticket office of the Ottawa Air Terminal during rush hours, especially on Fridays when there are two or three consecutive flights?

(Text)

Mr. MCGREGOR: Are you referring to the airport or downtown?

Mr. BEAULÉ: I am referring to the ticket counter at the airport.

Mr. MCGREGOR: It is a basic policy of the company to relate the provision of agents to the forecast work loads. Do you suggest that you have encountered great delays?

(Translation)

Mr. BEAULÉ: Yes, especially—

(Text)

Mr. MCGREGOR: I have never seen less than four people behind that counter.

(Translation)

Mr. BEAULÉ: One must come on Fridays, between five and six o'clock. There is only one employee at the ticket office. They have two wickets but only one employee working at this particular service between five and six o'clock as the other ones look after the luggage desk. I have already seen, last week for instance more than ten people waiting for their ticket at the ticket office. Only one employee was in attendance at the time. Especially there was a passenger leaving for Washington and others for New York, so it takes quite some time to issue tickets of that sort.

(Text)

Mr. MCGREGOR: Our system check on this point indicates that 90 per cent of customers are serviced within two minutes at airport ticket counters. I do not want to sound rough about this, but if they get their tickets before the flight is called, they are all right.

Mr. BEAULÉ: I wish to specify—only on rush hours.

(Translation)

I only want to mention the rush hours. Would it not be possible, say on Fridays, to have an additional employee at that particular time, because I know that about two weeks ago, it was necessary to delay a plane owing to the time spent at the ticket office. A number of passengers, obtained their tickets there, and as they were unable to obtain their tickets on time, the departure of the plane had to be delayed.

(Text)

Mr. MCGREGOR: I certainly would agree that the counter is understaffed if it causes a flight delay, and this would not be normal I would hope. There is no difficulty about putting on sufficient staff, in spite of the cost, to avoid that sort of thing. This is assuming that all the passengers do not arrive three minutes before flight time.

The CHAIRMAN: Mr. Rhéaume.

Mr. RHÉAUME: Mr. McGregor, I want to open up with you an area for discussion on what I think is one of the most important things that has been suggested—from my point of view anyway—in relation to the board of directors and indeed in relation to the committee hearings. I want to read into the record a couple of statements made in an editorial in the *Toronto Globe and Mail* and ask you to discuss these with the committee. The editorial was dated March 14, 1964, and I will read a few excerpts:

A tradition curious for a democracy has grown up in this country which permits vast amounts of public work to be done and vast amounts of public money to be spent without direct or minute scrutiny by the elected representatives of the people—

The 31 crown corporations report to parliament through 10 different cabinet ministers. These ministers have other time consuming duties, seldom attend board meetings of the various corporations and seldom are acquainted with all the ramifications of their business. The Auditor General, who reports at enormous length and detail on departments coming under the direct control of parliament, devotes only a fraction as much attention to the crown corporations—where his recent report on the departments reaches to 2,000 pages, his report on the corporations reaches only to 156.

To put it baldly, ministers are ignorant of much that goes on in this huge area of public business and spending, and members of parliament are even more ignorant. When directors of the corporations appear before committees of the House of Commons to give an account, the committee members know so little that they are generally incapable of asking intelligent questions.

It goes on to suggest that the solution to this particular problem can be found in a resolution that was on the order paper from the government whip, Mr. James Walker, at the last session, a resolution "which could go a long way toward closing this gap of ignorance." His proposal was:

—that members of parliament be appointed as unpaid directors of the crown corporations and companies.

The editorial gives several reasons for this:

The member-directors could serve as liaison men between the corporations and the minister to whom they report and the committees that inquire into their affairs.

It suggests that it is parliament's responsibility to see that money is properly spent, and so on.



I wonder whether in the years you have been subjected to what the *Globe and Mail* suggests are generally "unintelligent questions" and in the light of the experience you have with your board of directors, you have given any thought to this kind of thing or whether you feel it would be valuable. I do not know what scarring experiences you may have had, if any, in this annual inquiry that goes on, but could you give the committee some suggestions?

Mr. MCGREGOR: I would suggest that I have detected none of the widespread ignorance on the subject to which you refer. I think that committees examining annual reports such as this tend to get into detail of management and elements of the services or products that may be produced by various crown companies to the exclusion, perhaps, of the most important thing that the document represents—\$200 million of gross revenue and about \$199 million of over-all expenditure. Whether it is in cash flow or not does not matter. This is, even by modern standards, pretty important business.

My own comments, given quite frankly as you have asked for them, are that I would prefer to see committees of examination of annual reports, whether they be sessional or whether they be standing as is this one, confine themselves perhaps a little more intimately to the basic financial elements of the report and the fact that they are dealing with big business. I do not think that the *Globe and Mail* article is written from a clear understanding of the relationship between, for example, Air Canada and the government. This seems to imply that the minister is a sort of super general manager of Air Canada, and Mr. Balcer I think would be the first to suggest that this is not the case.

Air Canada's responsibility as a management is to its board of directors, who are appointed partially by order in council and partially by stockholders, and thereafter they must report in this form to the designated minister, which normally has been the Minister of Transport. I do not think that the company should expect to get specialized air line management techniques from a minister or from the government—particularly the Minister of Transport who has a most shocking portfolio in terms of versatility and size, and so on.

I would not go along with the article in the *Globe and Mail*; and certainly this ignorance is for the birds, and certainly the idea of having unpaid directors appointed from the houses of parliament would simply be something that would slow down the normal work of the company's directors.

Mr. FISHER: On a point of order, Mr. Chairman, I am intrigued with the line of questioning and very much interested, as I think every member of parliament is very much interested, in the question that is involved here but I do not think it is fair to quiz Mr. McGregor about this because it seems to me—and I think Mr. Rhéaume will agree—that although our work may be improved, the head of a crown corporation cannot be in any position to advise us or to advise the members of parliament in general or the House of Commons about how it should operate. I think in a sense it is putting an onus on Mr. McGregor that is unfair. For that reason, I do not think we should carry on this line of questioning. I suggest to you that it is outside our terms of reference.

The CHAIRMAN: Mr. Rhéaume, at first when you were speaking about the directors I thought you were really going to speak about the directors of T.C.A.

Mr. RHÉAUME: I am going to do so.

The CHAIRMAN: This is a suggestion about the composition of the board of T.C.A. relating to an article in a newspaper, and Mr. McGregor is being asked to comment about the work of the committee which, as Mr. Fisher has pointed out, is certainly not his function.

Mr. RHÉAUME: On a point of order, Mr. Chairman, it surely is in order for me to ask questions as to the composition of the board of directors and to

discuss the composition and Mr. McGregor's experience over the years with the board of directors—and particularly in 1963—and to ask him if in fact a proposal could make sense on the basis of his working experience with the directors. It is quite in order for people on this committee to ask questions about how many people are of French origin and how many can talk French and how many are German; I want to know how the relationship with the directors works and could it be improved.

The CHAIRMAN: That is quite another point.

Mr. FISHER: I would like to add some further detail on the point of order. Mr. Balcer at least will remember that several years ago we reached this same area as a result of the encouragement of Mr. Rowe who was the sessional chairman of the railways, canals and telegraph lines, or of the railways, air lines and shipping. We asked Mr. Gordon what he felt about the committee and how it should operate. Mr. Gordon did not hesitate to tell us what he thought, and we had a flagellation ceremony in which, in a sense, all our inconsistencies, weaknesses and ignorances were exposed. I did not blame Mr. Gordon for this, but it did not help one damned bit to have this contribution from him. The point remains that it is up to parliamentarians; it is up to this committee to consider this kind of proposal or this kind of recommendation; it is not up to the head of a crown corporation to comment upon them.

I just appeal to Mr. Rhéaume. It is not fair to put this kind of question to Mr. McGregor.

Mr. RHÉAUME: On the point of order, Mr. Chairman, I would comment that there is absolutely no point in this committee coming up with a recommendation that it would be a dandy idea for members of parliament to be on the board of directors if it is going to slow down the work, if it has no merit. This committee has a perfect right to go to Mr. McGregor and ask him, in terms of the board of directors, how he would feel if he were to have a bunch of members of parliament dumped on his board. I have the answer to that now and I will lay off.

The CHAIRMAN: That was one point, but the other point was getting into the area of the efficiency of the members of the committee and their record of questioning. However, I think you have made your point.

Mr. RHÉAUME: I think also it is perfectly fair for me to ask Mr. McGregor if, on the basis of his 1963 experience and the basis of this committee hearing, he has any recommendations. As we opened this committee yesterday we dispensed with something that has been going on forever, which was the system of having the executives of a crown corporation plod through an annual report word by word. That is one change that has been made.

The CHAIRMAN: That was a decision of the committee.

Mr. ROCK: Perhaps Mr. Rhéaume is trying to have the door opened wide so that members of parliament can become directors when they are defeated!

The CHAIRMAN: Mr. Rhéaume has completed his questioning on that point.

Mr. RHÉAUME: If there is any doubt about whether the line of questioning was in order, I think you should say whether it was out of order or will be because I can anticipate questions coming up, as they did last time, in regard to how many of these people are bilingual, how many are this and how many are that.

Mr. FISHER: That is legitimate. I am always in support of giving people scope in their questioning. My point of order is simply that the head of a crown corporation appearing before any committee should not be asked for his opinions about how a committee performs or how it approaches something like this, which is a hypothetical proposal. Mr. Walker had a resolution on the order paper. You can talk about an interim supply; any of us can. In the house



I have made a number of recommendations and many of us have done so over the years with regard to operations of parliamentary committees and have recommended methods for them to become more efficient, but surely this is aside from the consideration of the annual report of T.C.A. I happen, for example, to be very critical of a couple of people on the board of directors from what I know about them, a couple of people who are political appointees. It seems to me that if I wanted to question along this line it would be legitimate but to get off into this hypothetical area is wrong, I feel.

Mr. RHÉAUME: The reason I was directing the question, of course, was to find out from the people who are in the business of running an air line, and surely they are the ones who know what is the best type of set-up for their board of directors. While it may be fascinating to have a bunch of members of parliament talk about how to run an air line, in fact there is not a damned one of us who knows how to run an air line, and that was the point of the question. However, I am through with it.

The CHAIRMAN: Are there any further questions? Is this carried?

Agreed.

Let us proceed to "Outlook."

Mr. PRITTIE: I would like to ask just one question on outlook which deals with finances.

On page 21 under "Capital stock" it is stated that you have authorized 250,000 shares, par value \$100 per share, and that only 50,000 are issued and fully paid. Would this be a means of getting more capital for your operation if more of the authorized shares were issued and paid for?

Mr. MCGREGOR: Mr. Prittie, as I think I said yesterday, happily at the moment we do not have a need as far as we can see through 1965 for additional capital. I would therefore venture the opinion that if the stockholder decided to take up some of that treasury stock, T.C.A.'s action, subject to the approval of its board of directors, would be to retire an equivalent amount of debt capital.

Mr. PRITTIE: Has this proposal ever been advanced by the management to the board of directors?

Mr. MCGREGOR: Not to the board, no.

Mr. PRITTIE: To whom?

Mr. MCGREGOR: To the president of Canadian National Railways.

Mr. PRITTIE: I take it he is not in favour of that idea.

Mr. MCGREGOR: I do not think that would be a fair statement. He has not reacted to the proposal. Knowing him, I feel quite sure that he would have referred it to his financial people and obviously there is no history of T.C.A. paying dividends in recent years on its capital stock, whereas Canadian National Railways gets a present yield of an average of 4.83 per cent on its debt capital. So it is a matter of exchanging a known revenue on the loan money for an unknown revenue in the form of a dividend to be declared. I would hope that if T.C.A. does pay dividends on its capital stock, that it would be something less than the 4.83 per cent average interest on its debt capital.

Mr. PRITTIE: Has this been basically the same since the formation of the company—the 50,000?

Mr. MCGREGOR: No. The whole 250,000 shares were at one time issued. I think if I remember correctly it was I who took exception to that arrangement because we were in fact in some of those years operating at a deficit and we were applying to the government for the deficit with which to pay interest or dividends—whatever you want to call it—on capital stock, and this struck me as a contradiction in terms if not in words.



In 1953 \$20 million of the stock was recalled and a debenture was issued in its stead, so it is not an everlasting arrangement.

The CHAIRMAN: Mr. Rock.

Mr. ROCK: Mr. McGregor, is there any new bilateral agreement in process between Canada and the United States through which new routes for Air Canada or for C.P.A. may be realized in the United States?

Mr. MCGREGOR: I presume you were not here yesterday when we talked about this point. Re-negotiation of the United States-Canada bilateral agreement was originally discussed in April or May—I am not sure which—of this year. The early discussions, which lasted about ten days, were not productive of any progress. They were broken off with the declared intention of resuming in mid July. The basic purpose of those negotiations which have been carried on, I think, primarily at Canada's instigation, is to improve the number of direct transborder routes, hopefully in Canada's favour. But, Canada's history of negotiation of bilateral agreements with the United States has not been very fruitful.

Mr. ROCK: You mentioned yesterday that Air Canada cannot go into the operation of supersonic aircraft because of the noise factor and the regulations in respect of the hours allowed for take off and landings. I would like to know whether you feel if in the future airports should be built in areas where proper area zoning would be enforced in order that industry rather than housing would be within the immediate area.

Mr. MCGREGOR: To clear up that premise, I think I was misunderstood; what I said was that we as a carrier did not know what curfew laws would apply to supersonics at this time and if they were as stringent as those presently applying to subsonics this would prove very detrimental to the supersonic operation. This is the usual compromise you always have in aviation; if the airport is located remote from the city centre and the city does not grow up, then the ground transportation problem is increased intensely. It would have been excellent if at some time in the past when airports like Dorval and Malton were built that they were not surrounded by built up areas and that the areas would have been zoned so that residents would not get to the point where they regard air lines as a nuisance. But, I am afraid we are a little bit late for that now.

Mr. ROCK: My question was directed to the future.

Mr. MCGREGOR: Yes, it would be well to avoid a repetition of this sort of thing.

Mr. ROCK: Do the heads of your departments investigate many of the questions that are put to you and your officials here after this session terminates and is this reported to the board?

Mr. MCGREGOR: Yes.

Mr. ROCK: I am referring to certain complaints and that sort of thing which are brought up.

Mr. MCGREGOR: All the evidence of a parliamentary committee hearing is reviewed and checked against our own records and our own passenger opinion reports, and action is taken depending on what is found.

Mr. ROCK: Thank you.

(Translation)

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: Mr. MacGregor, I have a short question.

Would you consider it possible to put a *Vanguard* aircraft instead of a *Viscount* into service on flights 445 from Quebec city, and 450 from Ottawa, as we have a big flow of passengers between Quebec and Ottawa and it is rather

difficult to get a seat within 24 hours. One must book five or six days beforehand on that plane. Yesterday I could not fly to Ottawa for lack of seats available on those planes. I had asked for a reservation last Saturday and I could not get one on either of the three flights. Would it be possible to put a *Vanguard* on flights 445 and 450?

(Text)

Mr. MCGREGOR: Offhand, I would say yes, it would be possible. I would not like to see an operation that was not covered by the current timetable, for obvious reasons; if the timetable says one thing and the equipment is something else, and the flying time is different, confusion occurs.

(Translation)

The CHAIRMAN: Mr. Béchard.

Mr. BÉCHARD: Mr. McGregor, did your company ever think of considering service to the Gaspé area which has always been regarded as the end of the world and yet, as such, it would deserve at least some consideration?

(Text)

Mr. MCGREGOR: I do not know that we ever have done a study on the Gaspé region. In fact, I must admit to complete ignorance in respect of the availability of airports that would accept our air equipment. I do not think there are any.

Mr. BÉCHARD: There are a few little airports that could be improved.

Mr. MCGREGOR: I am afraid they would not take even a Viscount at the present time.

Mr. BÉCHARD: Perhaps not but if some improvement could be done there perhaps it would be different.

(Translation)

Have you ever had requests in that respect?

(Text)

Mr. MCGREGOR: No, I never have heard it requested before.

(Translation)

Mr. BÉCHARD: You probably will. Thank you, Mr. McGregor.

(Text)

Mr. BASFORD: In respect of the re-negotiation of the bilateral agreement with the United States has it been possible for you and Mr. McConachie to agree on a common position the Canadian negotiator should take?

Mr. MCGREGOR: No. In fact, I do not think we have discussed it.

The way this thing works is that the chairman of the air transport board, who is basically responsible for the conduct of negotiations, asks the two major carriers at least, and perhaps others, for all I know, what they would like to see obtained as a result of bilateral negotiations, and this is one of the drawbacks, in my opinion, to there being two basic carriers interested because I am quite sure that the requests are in conflict and that the chairman of the transport board is faced with a very difficult problem of going off hoping to come back with a bilateral agreement that will keep both his squalling children happy at home. I do not think this is possible.

Mr. BASFORD: How can the chairman of the air transport board negotiate for routes when he has two different proposals?

Mr. MCGREGOR: This could be the answer to the fact that I, for one, do not think we have ever had a good break in bilateral negotiations.

Mr. BASFORD: Have you ever agreed to reach agreement with Mr. McConachie in respect of the routes which Canada's negotiators should seek.

Mr. MCGREGOR: No, for this reason, that up until now Canadian Pacific Airlines never has been assigned to a trans-border route.

Mr. BASFORD: But, has it not wanted trans-border routes?

Mr. MCGREGOR: I presume so but it never has been regarded as a contender.

Mr. BASFORD: By whom?

Mr. MCGREGOR: Me, for one, or anyone else that I know of.

Bilateral negotiations involving Canadian Pacific Airlines have merely been in respect of trans-oceanic operations with Australia, Japan, Rome, Italy, Amsterdam and so on, and we know all about their desires and requirements there. As a matter of fact, what the minister was referring to yesterday is the type of pre bilateral negotiation communication which I think you are referring to. But, Canadian Pacific Airlines—and I guess this is written into the act somewhere—never has been a trans-border operator between Canada and the United States.

Mr. BASFORD: Their position in respect of their Latin American flights would improve, if they were able to pick up passengers in, say, Los Angeles and San Francisco.

Mr. MCGREGOR: That could be.

Mr. BASFORD: It seems to me that your conclusion that they are not a contender is not quite correct.

Mr. MCGREGOR: I did not conclude they were not a contender; I just said they never had been there.

Mr. BASFORD: Well, in view of your annual report statement, which says:

No major route extensions are at present contemplated, although the company remains constantly alert to interesting possibilities and it is conceivable that this forecast could change, particularly if present hopes for a better bilateral air agreement between Canada and the United States are realized.

It would appear to me that these present hopes which are mentioned in your report are not really very great.

Mr. MCGREGOR: No, they are not. I have no reason to be very hopeful about the current round of bilateral negotiations with the United States, first of all, because the preliminary discussions broke down and, secondly, because there is not a requirement on behalf of United States carriers for routes into Canada to offset privileges that Canadian carriers might be given in the United States.

Mr. BASFORD: Would not these hopes be increased slightly if the Canadian negotiator could come common instructions from both Canadian carriers?

Mr. MCGREGOR: I think that might be right.

Mr. BASFORD: Will you endeavour to see that the Canadian negotiator is aware of your common grounds?

Mr. MCGREGOR: We have had quite a lot of talks with the Canadian negotiator. To the best of my knowledge, he never has called upon us to tell us what Canadian Pacific Airlines were asking him to seek and, I would hope, that the reverse was true. Now, whether it would improve his position or not to bring us together, I do not know; it might.

Mr. BASFORD: But, you conjectured a few moments ago that it would.

Mr. MCGREGOR: I said it might help.

Mr. BASFORD: I can appreciate that.

Mr. MCGREGOR: I would much prefer to see Canadian Pacific Airlines not get into the United States, quite frankly.



Mr. BASFORD: This I can appreciate, but I would much prefer to see Canada through its air lines getting into the United States.

Mr. MCGREGOR: Yes. But, you see, we are talking a bit at cross purposes at the present time. If the chairman of the air transport board is prepared to accept the status quo as being all right all he has to do is satisfy T.C.A. requirements, as stated, for new trans-border routes, so he is not confronted with a conflict unless he is prepared to produce it in his own mind.

Mr. BASFORD: No, but if he has alternative routes which he wants to ask the Americans for, some for you and some for Canadian Pacific Airlines, surely his position will be made stronger if you both could agree on what he should be requesting.

Mr. MCGREGOR: Yes but, alternatively, he could say, basically; "we do not regard C.P.A. as a trans-border operator so all I am going to seek is T.C.A.'s request."

Mr. BASFORD: Does he take that position?

Mr. MCGREGOR: I am afraid not, but I do not know.

Mr. BASFORD: Do the meetings in Vancouver starting today involve discussions on this?

Mr. MCGREGOR: I think they probably will get to this area because they cover the waterfront as a rule. This is not the first of these meetings by a long shot.

Mr. BASFORD: I appreciate that.

The CHAIRMAN: Will you proceed now, Mr. Balcer?

Mr. BALCER: Have you noticed a different attitude on the part of the Americans during these discussions from what their attitude was before?

Mr. MCGREGOR: Well, Mr. Balcer, I was not present at the discussions. However, I think there was evidence of a greater desire to meet Canada's wishes arising out of the Galbraith report which, I understand, as it was reported to me, favoured a more liberal attitude on the part of the United States air authorities toward Canada's desires.

Mr. BALCER: In respect of the attitude of the United States government can we conclude that there might be a softening up but so far as the American air lines themselves are concerned they are just as bad, if not worse, than before.

Mr. MCGREGOR: Yes, I think that is a fair conclusion. But, I must say that I was disappointed that the first go around did not produce some form of agreement, if even tentative.

Mr. BALCER: With regard to the conflict of interest with C.P.A. on the trans-border routes has T.C.A. ever expressed a desire of establishing a service between Canada and, say, California or Los Angeles?

Mr. MCGREGOR: I think every list we have prepared has expressed a desire for some such route as Toronto to Los Angeles.

Mr. BALCER: Have you a representative of your corporation in attendance at all the bilateral discussions proceeding with the United States; in other words, is a representative of yours sitting at the table with the air transport people?

Mr. MCGREGOR: No. We are allowed to provide an observer but he must not take part in the discussions.

Mr. BALCER: What is the situation in respect of the American side of it?

Mr. MCGREGOR: They have one appointee from the American Transport Association who maintains a watching brief for all the carriers that might be interested.

Mr. BALCER: I have one more question. Where does T.C.A. rank among the air lines in the world at the present time?

Mr. MCGREGOR: Almost any number you would like to say, between seventh and tenth.

Mr. BALCER: Say, in reference to passengers?

Mr. MCGREGOR: In respect of revenue passenger kilometers, ninth.

Mr. BALCER: And, in respect of equipment; say D.C.8's.

Mr. MCGREGOR: Do you mean in numbers?

Mr. BALCER: The number of D.C.8's.

Mr. MCGREGOR: I would think it would be very close to the same.

Mr. BALCER: About the same?

Mr. MCGREGOR: Yes.

Mr. RHÉAUME: I have a couple of questions to ask on "Outlook".

I am looking at this summary of the aviation business in the world and according to the information taken from your report and the other annual reports Trans-Canada Air Lines is eighth in air lines and ninth in total rating.

Mr. MCGREGOR: There are a number of ways you can count it. There are passenger miles, ton miles and so on, and that is why I said to Mr. Balcer to take any number between seven and ten.

Mr. RHÉAUME: I am interested in the sort of pseudo policy that the minister gave to the Canadian people over television one night in respect of how this is going to affect the company's operations, and I want to put to you, as one who attended the big four meeting with Mr. Crump, Mr. Gordon and Mr. McConachie, that in the international field the suggestion was that the two major carriers must come up with a single integrated plan either through amalgamation, partnership or a clear division of responsibility. Is that accurate? Are those not the terms of reference in respect of which you are preparing for this September report?

Mr. MCGREGOR: In the first place, I would prefer not to comment on what went on at the four presidents' meeting because the last word in there was that this was not a matter on which public statements should be made until some solutions had been arrived at. So, I regard that as a closed meeting and I think it should remain so. On the other hand, rather than have a misunderstanding arise I do not think that amalgamation was one of the three possible solutions mentioned by the minister at that meeting.

I did not see the television show you referred to but, if it was mentioned there, well and good.

Mr. RHÉAUME: I am suggesting to you that this show did include that particular possibility. Then is it my understanding that you are absolutely clear in terms of either partnership or a clear division of responsibility between the two major carriers, and that that was part of the terms of reference under which the meetings have been held which you have been attending but, as you said, not so far as any possibility of amalgamation is concerned.

Mr. MCGREGOR: I said I did not think the minister included it at the four presidents' meeting as one of the avenues to be explored.

Mr. PRITTIE: The statement of the house did; I have it here and it says by amalgamation or partnership or clear division of fields of operation.

Mr. MCGREGOR: I think everyone knows my views, that the putting together by one means or another would be a great step forward in efficiency. There would be many duplicated costs ended and I think both the quality of service and the cost of it to the user would be improved.

Mr. RHÉAUME: Then you are not choked up about this suggestion the minister made?

Mr. MCGREGOR: No. On the contrary, I am delighted to have it included.

Mr. RHÉAUME: As I understood the minister's statement the policy guide lines you should follow in respect of domestic operations were that as long as there would be no injury to Trans-Canada Air Lines whenever new routes were awarded the other major carrier, Canadian Pacific Airlines, should be allowed to share in the growth. I should like to ask you, as president of Air Canada, whether you can estimate what the growth will be in coming years.

Mr. MCGREGOR: Yes.

Mr. RHÉAUME: Could you indicate that estimate to us?

Mr. MCGREGOR: That depends on how far ahead you wish to go. I think the 1964 estimated growth is in the order of six per cent and the 1965 estimate of growth in the order of five per cent. Incidentally, I regard the two objectives as being contradictory.

Mr. RHÉAUME: This is a paradox in your books? You do not think there can be such a thing as allowing C.P.A. in at the table and still not injure yourself.

Mr. MCGREGOR: That is it in a nutshell, because expense, particularly labour, grows every year by approximately five per cent and the only possible way of meeting that increased expense, if you have the size of the organization cut down to the bare minimum, as we believe we have, is by creating a growth in revenue.

Mr. RHÉAUME: How big would the bundle have to be before C.P.A. would be allowed to share in this new growth?

Mr. MCGREGOR: I do not follow your question in view of what I have just said.

Mr. RHÉAUME: You mean that no matter how big the pie is there is no room for sharing by C.P.A.?

Mr. MCGREGOR: Unless growth jumped by ten or 15 per cent some year we could not share this growth.

Mr. RHÉAUME: You do not anticipate such an increase, and your best estimate of the growth is six per cent?

Mr. MCGREGOR: Our best estimate is six per cent.

Mr. RHÉAUME: I am going to have to make a short statement before asking my next question.

The minister said that before Air Canada could even consider anything in respect of regional carriers you and C.P.A. would have to clear up these other things which are in the way. Are you now telling the committee that you are in fact being instructed to sit down at the negotiating table with a paradox and that you cannot clear these other things out of the way because there is no room for C.P.A.?

Mr. MCGREGOR: Did the minister not say that he was referring to an ultimate sharing of the growth?

Mr. RHÉAUME: Ultimate is coming to look pretty far distant.

Mr. MCGREGOR: That is my opinion, yes.

Mr. RHÉAUME: I am also concerned about whether we can hope for any kind of regional decisions on the part of Air Canada, which is part and parcel of the minister's suggestion, although you cannot call it policy because he said it was not policy. Is it the non-policy, then, that in respect of regional carriers these things have to be settled first? I am wondering how in the world you can bring in a report in September if in fact from the company's point of view you cannot fulfil one of the basic terms of the negotiation with C.P.A.

Mr. MCGREGOR: I understood the minister yesterday to be confining his remarks in his forecast of his expectation to receive a report from Mr. McConachie and myself by September to the international problem.



Mr. RHÉAUME: That did not refer to the domestic situation?

Mr. MCGREGOR: My understanding is that he did not refer to the domestic situation.

Mr. RHÉAUME: I also understood the minister to indicate that he took the general outlook that until such time as we can get you two fellows in the same bed on international operations and domestic operations in this way, steps had to be taken, particularly before any discussions took place in respect of Air Canada's regional responsibilities. Was that what he said yesterday?

Mr. MCGREGOR: I think that is a fair assumption, yes.

Mr. RHÉAUME: So from your point of view, in respect of your negotiations with Mr. McConachie, since you are only going to negotiate on an international basis, any decision in respect of Air Canada abandoning regional routes will be put off for some two years at least?

Mr. MCGREGOR: I think that is a fair assumption. Furthermore, I think it would be very disturbing to Air Canada if such a decision was made any sooner because, as I indicated yesterday, there is some 40 per cent of the company's total effort in regional type operation at the present time.

Mr. RHÉAUME: This is difficult for me as a committee member to understand because a lot of regional routes seem to represent a fairly expensive part of T.C.A.'s operations. It seems to me you are losing quite a few million dollars in this regard.

Mr. MCGREGOR: Yes.

Mr. RHÉAUME: You still wish to continue these operations for at least one or two more years?

Mr. MCGREGOR: I am saying that if a major amputation is carried out suddenly it will be very disruptive and very disturbing to company personnel. It will also have other repercussions—such as a quick reduction in the number of Viscounts in service, which is of interest in the matter of the Winnipeg base—because basically all of the regional operations are carried on by Viscounts.

Mr. RHÉAUME: I should like to ask one further question to clear up something I am not sure I heard correctly. Yesterday when we were referring to the supersonic aircraft, to which further reference was made today, I thought I understood you to say that no air lines in the world had placed orders; is that right?

Mr. MCGREGOR: No air line in the world has placed an order for the American version.

Mr. RHÉAUME: I was just trying to clear this up, because the May 1964 edition of *American Aviation* contains the detail of your annual report as well as the annual reports of other air line companies and it indicates that the United States scheduled air lines have placed 19 orders for the British-French Concorde, and hold 37 tentative delivery positions for the United States supersonic transport. That does not agree with your statement.

Mr. MCGREGOR: If you had listened to my qualifications you would have noted I said there were no orders placed for the United States version of the SST.

Mr. RHÉAUME: That is the situation although these companies have paid \$100,000 to get in the lineup for the United States SST?

Mr. MCGREGOR: Yes, that is right.

Mr. RHÉAUME: Thank you. I have no further questions.

The CHAIRMAN: Mr. Fisher?

Mr. FISHER: Do T.C.A. and C.P.A. use the same system of accounting and costing?

Mr. MCGREGOR: In so far as our reporting to government is concerned, we do. In respect of internal accounting and costing, I do not know.

Mr. FISHER: In terms of the aircraft you have on routes and their profitability, in respect of which overhead costs are included, does C.P.A. have the same set-up, covering the same information?

Mr. MCGREGOR: Yes. C.P.A. abides by the same regulations established by the air transport board.

Mr. FISHER: The term "social routes" has been introduced over the last few years. Have you any indication that C.P.A. has social routes?

Mr. MCGREGOR: First of all, I think I share your dislike for the term because it is nonsense. It was given birth to by the expert, Mr. Wheatcroft, when he was called in by the Government for the T.C.A. and C.P.A. hearings. No one had ever heard that phrase before but it came into use then, although I do not know why. I do not understand the connotation at all.

To answer your question, C.P.A. operates some services north from Edmonton into the Yellowknife area which I think they would be inclined to designate as social in character, although I do not think they are money losers.

Mr. FISHER: In respect of any adjustments in any of the domestic patterns or in any preliminaries to them, have you worked out any kind of policy or attitude regarding where your responsibilities might be in terms of these routes? Let us say it is socially important that the government makes sure these communities are served, yet there is not any money in terms of revenue involved or possible.

Mr. MCGREGOR: This is going to sound like a sort of juvenile answer to your question, Mr. Fisher, but we have assumed that by the nature of things we should, probably regardless, or almost regardless of the economic situation, serve provincial capitals. We do serve all of them with the exception of one at the present time. Otherwise I do not think I can generalize in an answer to your question.

Mr. FISHER: I should like to ask you some questions about two regions. I understand that in the north at least one air line company has been able to carry on a remunerative business. I also understand there have been some recent developments in the maritime provinces with the co-operation and integration of two of the carriers. I have seen statements by the provincial premiers, particularly the premier of Newfoundland, which indicate that politically at least in the maritime provinces there is an interest in respect of giving that particular regional carrier a larger role in the maritimes. If this is acceptable as government policy, have you given any consideration to the withdrawal of T.C.A., allowing that particular regional carrier in the maritimes a better opportunity?

Mr. MCGREGOR: No. We are strongly opposed to what is generally called a "move over" philosophy.

Mr. FISHER: Since it is possible that we may have a confrontation, in a sense in a political connection, and in light of that development of the regional carrier, can you indicate your reason for giving a negative answer to my other question.

Mr. MCGREGOR: You are referring to my answer that we do not agree to the "move over" policy? It would seem to me to be contrary to the general idea of a service organization. If another carrier comes in, and I do not think the one we are talking about is received with glad welcome to the mainland, I think it is our duty to continue to serve as long as the traffic will support the operation we are offering.

Mr. FISHER: Referring to the Sydney to Halifax part of your route, for example, I am sure that is not remunerative to you. I imagine it is a regular



loser. Using that as an example, what would be the disadvantage to you of disposing of that route?

Mr. MCGREGOR: I think we would be cursed quite heartily in at least the two communities you have mentioned, and probably in other areas, as having failed to live up to our responsibilities if we had a service and as soon as somebody came along promptly folded up and crept into a corner. I think such action would injure the reputation of the company. I think it would be contrary to the wishes of the director from that area.

Perhaps, if you will allow me to digress for a moment, I should warn you not to refer to Newfoundland as a maritime province. I was lectured by Mr. Pickersgill about doing this myself.

Mr. FISHER: It is exactly because Mr. Pickersgill is the Minister of Transport that I am concerned about this, and not going out of my way to be nasty because he is not here, I have often seen a regional minister tend to play to the regional interests, and since T.C.A. is not a regional interest and the Maritime Airways happens to be, I wanted to get your views in this regard on the record as completely and strongly as possible. I am expressing personal opinions in this regard, Mr. Chairman, but it is all too fashionable and sort of, in name, a regional virtue to make this kind of move.

Mr. MCGREGOR: Mr. Fisher, I feel I should say in fairness to the minister that we have never discussed this point. He has never asked what T.C.A.'s attitude was going to be to the introduction of E.P.A. to the mainland; whether we were going to reduce our frequency or capacity, or take any other action that would make life easy for them. This has never been done by Mr. Pickersgill, and my answer to him, if he had asked this question, would have been the same as it was to you.

Mr. FISHER: The reason I have asked these questions is that it seems to me there has been a hint, in outlining what Mr. Rhéaume called a pseudo-policy, that this kind of thing might develop. The maritimes was the first area about which I was worried. Let us look at the situation in the northern part. You are not operating into the north?

Mr. MCGREGOR: We are not operating beyond Val d'Or, no.

Mr. FISHER: There seems to be a going commercial possibility there. I would assume that if your writ runs to the extent that it does, and you have a sense of responsibility as a government supported carrier, you should have a look at the north as a possibility. I think anyone who wants to, as I assume Mr. Rhéaume does, see the extension of competition or the opportunity offered to private carriers, also must look at the possibility that T.C.A. should be given the opportunity of extending its service, going into another area. I am just wondering whether you have looked at the north in these terms.

Mr. MCGREGOR: We have looked at the north situation and have never felt we were under any restrictions about applying for a route. By the same token we have never felt that the extension of our route into the north, or at least in respect of the ones we studied, would initially contribute to overhead. Therefore we thought it better to leave them alone.

Mr. FISHER: Let us look at the situation in this way. The major northern air lines are becoming competitors of yours particularly in the charter field.

Mr. MCGREGOR: That is true.

Mr. FISHER: If we are going to live in a philosophy of competition I should like to know your answers in respect of that kind of intrusion. We assume you do not want an answer in terms of government regulations restricting the development of those air lines. How do you respond to that kind of challenge?

Mr. MCGREGOR: As you suggest, the only effect we have felt up to the present time is largely in the charter field to the Caribbean area.



Mr. FISHER: If these companies acquire a CL-44 and commence Atlantic hauls, this will have an effect on both T.C.A. and C.P.A., is that right?

Mr. MCGREGOR: That might well be the situation. You know for years it was a regulation and government practice that a charter request was invariably referred for first refusal to the scheduled carrier operating on the route involved. This practice went out of fashion or was dropped without any fanfare and, I am ashamed to say, without my knowledge for some months. I think that was quite wrong. I think the carrier operating a scheduled service on the route, whatever its nationality or identity, should have first refusal, there being a filed chartered tariff so that price does not come into the question. The abandonment of this policy has resulted in a great deal of semipiracy in the charter field, particularly by foreign carriers.

Mr. FISHER: Is there no way in which you can respond except through a return to the previous policy, which would give an advantage to the scheduled air lines?

Mr. MCGREGOR: I think that is the best answer to the situation.

Mr. FISHER: Do you know what the view of C.P.A. officials is in this regard?

Mr. MCGREGOR: I think they are the same views that we take.

Mr. BASFORD: I should like to ask one or two questions in respect of air cargo. You mentioned yesterday that you had abandoned all-freight craft.

Mr. MCGREGOR: We no longer use all-freight aircraft, that is right.

Mr. BASFORD: What is your reason in this regard?

Mr. MCGREGOR: The cheapest way of moving air cargo is as a byproduct to a passenger operation, and two of our aircraft types are specifically designed for this purpose, and were selected for that reason.

Mr. BASFORD: That situation means that a shipper must meet a passenger timetable, is that right? Could you not offer a better service to shippers by operating a straight air commerce service?

Mr. MCGREGOR: No. One of the facts in this regard to which I referred yesterday is that virtually all of our routes have a strong directional imbalance in the matter of cargo traffic. This fact very nearly precludes the possibility of all-cargo aircraft because it would require flying each craft virtually empty in one of the two directions of the route.

Mr. BASFORD: How large is your air cargo sales staff in western Canada directed toward correcting this imbalance?

Mr. MCGREGOR: I do not know; it is probably in the order of 30 or 40.

Mr. BASFORD: Can you correct the invalidity?

Mr. MCGREGOR: No; it is inherent; it is there. If we had a light manufacturing industry on the west coast as has the United States, it would not be there.

(Translation)

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: I have a very short question. Mr. McGregor, when do you expect that the new name Air Canada is going to be used on the whole system?

(Text)

Mr. MCGREGOR: It is applied throughout the system now so far as telephone answering is concerned and flight announcements on P.A. systems; this all took place as of June 1. I have asked the minister to proclaim bill No. C-2 as of January 1, 1965, and that would complete all the legal documentation and so on.

(Translation)

Mr. BEAULÉ: Will the new DC-9 be lettered: Air Canada?

(Text)

Mr. MCGREGOR: Yes, and all the other aircraft too.

The CHAIRMAN: Is the report carried?

Agreed.

Mr. COWAN: Mr. Chairman, I have not asked any questions and I was not here yesterday but I presume "Outlook" is a catch-all title and I would now like to refer to page 11. On page 11 of the report you refer to air mail, Mr. McGregor:

Record volumes of air mail were also transported on international routes. Agreements were completed with three foreign air lines for reciprocal transportation of national mail on bilateral routes. These foreign air lines have undertaken to carry air mail of Canadian origin to their countries on T.C.A.'s behalf while T.C.A. in return carries their national air mail to Canada under the same terms and conditions.

I want to ask this question. Are you keeping any record of the poundage moving in each direction? At the present time this country is labouring under a serious drawback in that we carry millions of pounds of United States second class mail coming into this country, to all corners of the country, and they carry a couple of thousand pounds of Canadian mail going their way. It is second class mail of which I am speaking. Yet, on parcel post we have a cash settlement every six months related to the tonnage carried and the mileage. What is the arrangement here? Are we to be caught carrying Austrian mail from Vancouver to Halifax because the Austrian mail carries ours from Linz to Vienna?

Mr. MCGREGOR: No. T.C.A.'s flights in Germany will be given a certain amount of German mail in exchange for Lufthansa flights in Canada being given a certain amount of Canadian mail.

Mr. COWAN: That certain amount being—

Mr. MCGREGOR: —equated.

Mr. COWAN: And we are being paid for any difference in weight that we might carry?

Mr. MCGREGOR: T.C.A. is being paid for the Canadian mail that both airlines carry, and Lufthansa is being paid for the German mail carried by both airlines.

Mr. COWAN: You refer to a reciprocal arrangement. I wonder if there is any payment being made?

Mr. MCGREGOR: This does refer to the financial arrangements and to traffic arrangements.

Mr. COWAN: I am asking with regard to the financial end. The fact is that the German government gets paid for mail mailed in Germany destined for Edmonton. Does the Canadian government get any of that postage money?

Mr. MCGREGOR: Would you repeat that?

Mr. COWAN: If a lot of mail is destined from Germany for Edmonton, Alberta; the German government collects the postage and it is flown across Canada by T.C.A. Does T.C.A. get anything from that?

Mr. MCGREGOR: Yes.

Mr. COWAN: I ask that because of my knowledge of the system of the land mail from which we do not get a cent.

Mr. MCGREGOR: I do not know much about inter postal authority arrangements, but I do know there is a special arrangement with the United States

by which either country's mail is carried by the other one, and I presume they work out an equitable arrangement on the charges.

Mr. COWAN: You are not giving a definite answer; you are just saying you would presume?

Mr. MCGREGOR: Yes.

Mr. COWAN: Well, we can look into it through the post office.

Mr. MCGREGOR: Yes.

Mr. COWAN: I did not know about this reciprocal arrangement but I am so provoked about the way in which we carry the United States mail by the million pounds and the fact that they carry only a couple of thousands for us that I do not want to see this situation grow.

Another matter concerns the terminal facilities for ground transportation. Is that a matter to take up with the operators? Yesterday one of the operators was laying great stress upon the fact that he had a contract with the air lines, but I said I was not interested in that, I was interested in the Department of Transport contracts. These contracts come more under Department of Transport than the air lines?

Mr. MCGREGOR: Yes. We have nothing whatever to do with these ground transportation carriers other than to say to D.O.T. that our experience is such and such, that it is satisfactory and we would like to see the contract renewed, or vice versa.

The CHAIRMAN: Is the report carried?

Agreed.

We now come to the capital budget. Is the budget carried?

Agreed.

Is the auditor's report carried?

Agreed.

Gentlemen, that concludes our sittings on the two matters which were referred to us and we have no other matter before us at the present time.

Before preparing a report for the House of Commons, this committee or at least a steering committee should meet to see if there are any other matters which arose during this committee which should be discussed.

Mr. FISHER: There is one matter I should like to raise while the full committee is here. I would like to know whether the steering committee should take this up.

During the Canadian National Railways report you may remember that Mr. Pickersgill made some comments regarding the responsibility of the Department of Labour with regard to this whole question of innovation and technical change in the railways and the consequences upon the working force, and the strains and difficulties thereby caused. You may remember, Mr. Chairman, that this came up when we were having a discussion on my bill that was brought before this committee last session. The subject matter was approved and the report was tabled in the House of Commons. It was not concurred in because there was insufficient time. Mr. Pickersgill, if you remember—and I think I am paraphrasing him correctly and exactly—suggested this was more a responsibility for the Department of Labour to examine and to work upon. I would like to suggest, since Mr. Pickersgill raised this, that the steering committee be given permission to examine the record of what Mr. Pickersgill said and consider including in our report a comment upon his particular suggestion and a possible recommendation to go along with this report to the house. I do not think it would be straining the terms of reference, and I am just suggesting that it would be good if the committee as a whole knows



that the steering committee would be considering this. I am not going to make a motion but I would just like to know whether the committee would consider this.

Mr. ROCK: Mr. Chairman, I would like to see that in the minutes first. I would like to see it.

The CHAIRMAN: Will you authorize your steering committee, gentlemen, to consider this question when we have seen the minutes?

Mr. RHÉAUME: That is a good idea.

Agreed.

Mr. BERGER: I do not know whether it is customary, but I would like to move a motion of appreciation and thanks to Mr. McGregor and his assistants for the way in which they have so amicably and satisfactorily answered all our questions, and to wish them the best of luck for this coming year.

The CHAIRMAN: I thank you, and I personally want to thank Mr. McGregor and the members of his staff who came here.

I will call the steering committee as soon as we have the minutes of evidence.

This concludes our sittings at the present time—I hope until next fall.

Thank you.

Mr. MCGREGOR: Thank you very much.

HOUSE OF COMMONS  
Second Session—Twenty-sixth Parliament  
1964

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STANDING COMMITTEE  
ON  
**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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TUESDAY, JULY 7, 1964

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Respecting

Bill S-27—An Act respecting The Bell Telephone Company of Canada.

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WITNESSES:

*From the Bell Telephone Company of Canada:* Messrs. Marcel Vincent,  
President, P. C. Venne, Q.C., Vice-President and General Counsel,  
R. C. Scrivener, Vice-President.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS and TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

*Vice-Chairman:* James Brown, Esq.

and Messrs.

Addison	Granger	McBain
Armstrong	Grégoire	McNulty
Balcer	Guay	Mitchell
Basford	Hahn	Millar
Beaulé	Howe ( <i>Wellington-</i>	Muir ( <i>Lisgar</i> )
Béchar	<i>Huron</i> )	Olson
Berger	Irvine	Nugent
Boulanger	Kennedy	Orlikow
Cadieu	Kindt	Pascoe
Cameron ( <i>Nanaimo-</i>	Korchinski	Prittie
<i>Cowichan-The Islands</i> )	Lachance	Pugh
Cantelon	Lamb	Rapp
Cantin	Laniel	Regan
Cooper	Latulippe	Rhéaume
Cowan	Lloyd	Rock
Crossman	Lessard ( <i>Saint-Henri</i> )	Ryan
Crouse	Macdonald	Southam
Émard	MacEwan	Stenson
Fisher	Mackasey	Tucker—(60)
Foy	Marcoux	
Godin	Matte	

(Quorum 12)

Maxime Guitard,  
*Clerk of the Committee.*

*Note:* Mr. Mitchell replaced Mr. Brown, on July 2, 1964.



## ORDER OF REFERENCE

THURSDAY, June 25, 1964.

*Ordered*,—That Bill S-27, An Act respecting The Bell Telephone Company of Canada, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

THURSDAY, July 2, 1964.

*Ordered*,—That the name of Mr. Mitchell be substituted for that of Mr. Brown on the Standing Committee on Railways, Canals and Telegraph Lines.

*Attest*.

LEON-J. RAYMOND,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

TUESDAY, July 7, 1964

(13)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:09 o'clock a.m. this day. The Chairman, Mr. Richard, presided.

*Members present:* Messrs. Addison, Balcer, Beaulé, Cantelon, Cowan, Crossman, Foy, Howe (*Wellington-Huron*), Lachance, Lamb, Lloyd, Macdonald, MacEwan, Millar, Pascoe, Regan, Richard, Rock, Ryan, Stenson (20).

*In attendance:* Mr. Gregory J. Gorman, Parliamentary Agent, and from the Bell Telephone Company of Canada: Messrs. Marcel Vincent, President, P. C. Venne, Q.C., Vice-President and General Counsel and R. C. Scrivener, Vice-President.

The Committee considered Bill S-27, an Act respecting the Bell Telephone Company of Canada.

The Chairman instructed the Clerk of the Committee to read the Order of Reference.

### *On the Preamble:*

The Chairman invited the sponsor, Mr. James Brown, M.P. to introduce the Parliamentary Agent, Mr. G. J. Gorman, and the officials of the Bell Telephone Company of Canada, namely: Messrs. Marcel Vincent, President, P. C. Venne, Q.C., Vice-President and General Counsel and R. C. Scrivener, Vice-President.

Mr. P. C. Venne, Q.C., explained the purpose of the bill.

The Preamble was carried.

### *On Clause 1,*

Mr. Beaulé moved, seconded by Mr. Balcer,

That subsection 8 of clause 1 be amended as follows:

On line 2, after the word "*than*", delete number "20" and insert number "21".

After further explanations from the officials of the Bell Telephone Company of Canada, both the mover and the seconder of that said motion sought and were granted leave to withdraw their motion.

Clause 1 and the Title were carried.

The Bill was carried without amendment.

*Ordered*,—That Bill S-27 be reported without amendment.

At 11:52 o'clock a.m. the Committee adjourned to the call of the Chair.

Maxime Guitard,  
*Clerk of the Committee.*





## EVIDENCE

TUESDAY, July 7, 1964.

(Text)

The CHAIRMAN: Gentlemen, this morning we are considering an act respecting the Bell Telephone Company of Canada. I would ask the clerk to read the order of reference.

### THE CLERK OF THE COMMITTEE

Thursday, June 25, 1964.

Ordered that Bill No. S-27, an act respecting the Bell Telephone Company of Canada be referred to the standing committee on rails, canals and telegraph lines.

The CHAIRMAN: Now, gentlemen, I hope everyone has a copy of the bill. If you wish to have one, it will be distributed.

This bill is sponsored by Mr. Brown, who I believe will introduce the parliamentary agent and other members of the company who are appearing here this morning.

Mr. BROWN: Gentlemen, I have with me Mr. Gregory J. Gorman. I also have with me Mr. Marcel Vincent, the president of the company, Mr. P. C. Venne, Q.C., vice president and general counsel, and Mr. R. C. Scrivener, vice president.

The CHAIRMAN: Gentlemen, I will call the preamble. I would ask Mr. P. C. Venne, Q.C., vice president and general counsel of the company to introduce this matter.

Mr. P. C. VENNE, Q.C. (*Vice President and General Counsel, Bell Telephone Company of Canada*): Gentlemen, as you are aware, the bill really provides for a change in the maximum number of directors of the company from 15 to 20. The maximum of 15 started with our act of incorporation in 1880. In the years since 1880, the shareholders have elected a varied number of directors until 1927 when they elected the maximum of 15. The number of directors has remained at 15 since then. However, since 1927 the operations of the company have increased greatly. In 1927, we had about 668,000 telephones in service; today we have well over four million. We had about 15,000 employees, and today have more than 36,000. In that period our shareholders were a little more than 14,000; today we have more than 200,000. In 1927 the equity capital investment in the business was about \$59 million; today it is more than \$1 billion.

Such a growth has an important role in the economy of Canada. The complexity of the problems has increased every year, and in our opinion has established the necessity to call up more leading Canadians to our board of directors.

If I may be permitted, gentlemen, I also would like to mention other facts which do not appear to be well known: these are very important, not only for the company, but for all Canadians. It will be noted that 97 per cent of the

shareholders of the company are residents of Canada, holding between them 93 per cent of the stock of the company. The American Telephone and Telegraph Company, as of December 31, 1963, owned 2.8 per cent of the capital stock of the company. This has been reduced again at this time by the issuance in March of one million shares.

Only one out of the 15 directors is not a Canadian citizen.

Gentlemen, Mr. Marcel Vincent and Mr. Scrivener are at your disposal for questioning.

The CHAIRMAN: Gentlemen, we are on the preamble and, without limiting the questioning, I would like to think we can proceed in an orderly fashion in respect of this bill which is rather simple, and I hope that it will not be necessary to cover areas which are not within the amending bill.

In any event, I think we should proceed immediately. I will allow Mr. Regan to begin.

Mr. REGAN: Mr. Vincent, at the present time you have 15 directors?

Mr. VINCENT (*President, Bell Telephone Company of Canada*): Yes.

Mr. REGAN: Your intention and desire in this bill is to increase this immediately to 20?

Mr. VINCENT: No. We would like to have some leeway. I am not saying that we intend to go up to 20 in the very near future. However, we would like to be able to go up to 17 or 18, or something of that nature. We feel right now that we have no elbow room.

Mr. REGAN: How many of the 15 directors which you presently have also are directors of Northern Electric Company Limited?

Mr. VINCENT: Four. There is Mr. Eadie, Mr. Keefler, Mr. Lank and Mr. Johnson. Mr. Keefler is president of Northern Electric Company Limited and Mr. Eadie is the chairman of their board.

Mr. REGAN: What is the corporate relationship between your company and Northern Electric Company Limited?

Mr. VINCENT: We own 100 per cent of Northern Electric Company Limited.

Mr. REGAN: One hundred per cent?

Mr. VINCENT: We own it all.

Mr. REGAN: That was not always the case?

Mr. VINCENT: No. Recently we repatriated, if you like, some 10 per cent which was still with the Western Electric Company.

Mr. REGAN: You purchased it from Western Electric?

Mr. VINCENT: Not directly from Western. In effect it was from Western, but not directly.

Mr. REGAN: Your company is a special act company, I believe. By what authority do you hold shares in other companies, such as Northern Electric?

Mr. VINCENT: According to the charter we have permission to own shares.

Mr. ROCK: On a point of order; is this questioning in order?

The CHAIRMAN: I think so. This is the business of the company. We are on the preamble just now; we are not yet on the clauses.

Mr. ROCK: This is not a company which has come here to be incorporated as a new company, and questions are being asked in that direction. This company is only bringing in an amendment to its charter.

Mr. VINCENT: It is an amendment with regard to the maximum number of directors.

Mr. ROCK: I think this is the only thing we should discuss.

The CHAIRMAN: I cannot agree with you at this time.



Mr. REGAN: Since you are a special act company, I gather from the provisions of the Companies Act that you cannot purchase shares of any other company unless you have special authority in your act.

Mr. VENNE: May I be permitted to answer that? We are empowered to own shares in Northern Electric under section 4 of our incorporating act. That just has been decided by the Board of Transport Commissioners for Canada.

Mr. REGAN: How does that section read?

Mr. VENNE: It is a long one.

Mr. REGAN: I do not want the full section.

Mr. VENNE: The last part reads:

The company shall also have power to enter into any arrangement with any person or company possessing, as proprietor, any line of telegraphic or telephonic communication, or any power or right to use communication by means of the telephone upon such terms and in such a manner as the board of directors may, from time to time, deem expedient or advisable, or to become a shareholder in any such corporation.

Mr. REGAN: But the Northern Electric Company Limited is not a company engaged in the telephone business.

Mr. CANTELON: On a question of privilege; I am sure Mr. Regan can obtain this information privately rather than seeking to obtain it now. We are away off the subject of what we are asked to do.

Mr. REGAN: Four of the directors already are officers of Northern Electric, and at least one of them holds a directorship in Bell Telephone Company because of the fact that he is chairman of the board. There is the question whether these new directors also would fall into that category. I think it is all tied into the corporate organization of this company, and is all essential to the discussion.

The CHAIRMAN: Mr. Cantelon, I do not see that we have strayed very far. I might say that the relationship of the evidence here is in the hands of the committee. There are no set rules concerning relevance or the type of evidence which is available in committee. Personally, as a lawyer, I would like to rule strictly and say we will speak only about increasing the number of directors; but, having been in the house for over 20 years, I realize the committees are masters of their own policy and destiny, and unless it is the view of the majority of the members of the committee that they want to stick to the strict wording of this proposed amendment, I would rule that questions which relate to interlocking directorates, or the power of a company to acquire another company, are in order.

Mr. ROCK: Mr. Chairman, further to this, if this company did not come here to change its charter—did not want to increase its board of directors—would we have the power to call them up and question them?

The CHAIRMAN: No.

Mr. ROCK: That is all I wanted to know.

Mr. REGAN: It seems to me that if the Bell Telephone Company has exceeded its corporate powers, we are greatly concerned with that. Perhaps they have not. You read a portion of section 4 of their special act; but, as I understand it, Northern Electric is not in the telephone business; its primary purpose is to produce electronic equipment and lines.

Mr. VENNE: Manufacturing.

Mr. REGAN: As a manufacturing company it sells not only to the Bell Telephone Company, but also sells in competition to private companies in the general market?

Mr. VENNE: Yes:

Mr. REGAN: How do you say that this act, which you have read, gives the power, if it is not a telephone company, to Bell Telephone Company to hold such a company?

Mr. VENNE: As I already stated, the question came up before the Board of Transport Commissioners for Canada about three months ago and the board decided that Northern Electric Company Limited produced, as proprietor, a line of telephonic communication and had a right to use communications by means of the telephone.

Mr. REGAN: This decision was made on a matter of fact by Commissioner Kirk; is that accurate?

Mr. VENNE: There were two commissioners who decided the issue. Chief Commissioner Kerr decided the legal question, and Mr. Kirk probably discussed the facts. Commissioner Kerr, the chief commissioner, decided the legal question.

Mr. REGAN: A court of law never has had occasion to review the question of whether Northern Electric really is a company in the telegraphic or telephonic communication in the telegraphic or telephonic communication field on the basis of one telephone line four miles long.

Mr. VENNE: The Board of Transport Commissioner for Canada is a court of record—a court of law. Mind you, it is not a superior court or a supreme court, but it is a court of law.

Mr. REGAN: Who delivered the reasons for the board?

Mr. VENNE: Chief Commissioner Kerr and Commissioner Kirk.

The CHAIRMAN: Is it necessary to go into this? This is a line of questioning which I think you could pursue for yourself.

Mr. REGAN: Fine. As I understand it, the Bell Telephone Company is in a monopoly position. As a company in a monopoly position operating a utility, do you not agree that they have certain responsibilities to the public and to other companies which would not apply to a company in an ordinary competitive business?

Mr. VENNE: Yes; I would say so.

Mr. REGAN: By the same token, you have the situation where Northern Electric Company Limited, because of the fact that it has the captive market of your company and also is selling to other customers, is able to provide competition to private companies by merely having extra production by reason of its guaranteed market to this public monopoly. Do you not feel that Bell, as a utility, would have an obligation to call tenders and buy its equipment in much the same way as does a department of government?

Mr. VENNE: No, because of the quantities and kind of special things we need. I think the tie between Northern Electric and Bell Telephone is what has permitted this company to give the kind of service we are giving at the cost we are giving it. If you think there is anything unfair, I do not agree with you, because we always have had a policy whereby Northern Electric has to sell at the best price to Bell; in other words, it is either as low as or lower than, and in most cases lower than, anybody else.

Mr. REGAN: In that event, if you feel you need Northern Electric for that reason, do you not feel that Northern Electric should withdraw from competition with private companies in other sectors?

Mr. VENNE: No. I feel that because of the volume everybody benefits by it.

Mr. REGAN: How do you determine the just price at which Northern Electric sells to the parent company?

Mr. VENNE: They are in competition with others, so, as I say, the price they sell to Bell is lower than the price at which they sell to others. After that they are on their own.

Mr. REGAN: Is the financial situation in respect of Northern Electric fully published to the board of transport commissioners?

Mr. VENNE: Yes; not only to the board of transport commissioners, but there is an annual report of Northern Electric which is published. I have it here, if you want to have it. Have you ever seen it?

Mr. REGAN: Yes.

Mr. COWAN: Mr. Chairman, Mr. Regan has not had an answer to his question in respect of how they determine the various prices being quoted.

The CHAIRMAN: I think we will let Mr. Regan ask his questions.

Mr. REGAN: You say the price is lower than that at which they sell to the rest of the market.

Mr. VENNE: The price to Bell is lower than the price to the other customers they have.

Mr. REGAN: Mr. Chairman, I am very concerned about this matter, because it appears to me it is quite possible that Bell Telephone Company has no legal right to hold any shares in Northern Electric, and that they are exceeding their corporate powers in doing so. I believe you would confirm that Northern Electric only operates a one-way telephone line of four miles in length.

Mr. VENNE: There are the courts in which to plead this, and I do not think we should review the case here.

Mr. ROCK: Mr. Chairman, I understand there has been a court case recently. I do not see quite why we should go ahead with this.

Mr. REGAN: Mr. Chairman, I submit that no legally trained man has decided on the facts in that case and only Commissioner Kirk. I am merely trying to retermine whether any properly constituted court has ever had a reference in respect of the matter of the corporate powers of this company.

Mr. VENNE: It was reviewed. The supreme court reviewed the appeal.

Mr. REGAN: Is it not a fact that the Supreme Court of Canada merely refused leave to appeal because a question of fact was involved as well as a question of law?

Mr. VENNE: Yes.

Mr. REGAN: So, the supreme court actually has not reviewed the corporate power?

Mr. VENNE: A judge did review this before he ruled there was no leave to appeal.

Mr. REGAN: I think you would agree that the basis for the refusal of leave was that no written reasons were given—

The CHAIRMAN: Mr. Regan, I think we are entering into a field that this committee cannot review; that is, the possibilities of an appeal or the grounds for the appeal, or what the judge would have done under other circumstances.

Mr. REGAN: He has now told us no appeal was heard; that is all I want to know.

The CHAIRMAN: Are there any other questions, Mr. Regan?

Mr. REGAN: Mr. Vincent, I am sure, as president of the company, you would be concerned if your company exceeded its corporate powers. Do you not feel it would be in the interests of determining this fact to have a reference to the supreme court on this matter to determine whether you actually do have power to hold shares in Northern Electric?



Mr. VINCENT: It has been done.

Mr. REGAN: Perhaps I will direct the question to your lawyer.

Mr. VENNE: The supreme court refused leave to appeal and gave no reasons. We do not know whether it was refused because it was not a question of law.

Mr. REGAN: Do you think it would be of interest to have it referred if there is a way it could be referred?

Mr. VINCENT: I cannot see the purpose in that. I think we already have a judgment of the court of record on this very matter.

Mr. ROCK: Mr. Chairman, a few members here already have asked for certain points of order. I will ask again that Mr. Regan stop this line of questioning.

I shall ask again that Mr. Regan stop that direction of his questioning. I do not think anybody in the room has said that he should go ahead. I think most of them have said that he should not do so.

The CHAIRMAN: Order. I am Chairman. I did rule that the line of questioning was all right up to a point. I have just asked that Mr. Regan discontinue asking questions about what might happen if a certain set of facts were before you.

Mr. BALZER: I think that the situation of the Bell Telephone owning 100 per cent of Northern Electric is of extreme interest to this committee. First, let us not forget that the rates and telephone service in the provinces of Quebec and Ontario are based on the expense and costs of various materials and services which are procured from the Northern Electric and supplied to the Bell Telephone. I think it is of paramount interest to this committee to have questions like those of Mr. Regan's answered, and also, speaking for myself, I am a little disturbed to see that the charter of Bell Telephone permits Bell Telephone to purchase companies which have telephone lines, when we know very well that the only line that the Northern Electric has is strictly a token line, about four miles long. I do not know what line it is, but it sounded rather strange. I think it is perfectly in order for members of parliament to ask questions on this point.

The CHAIRMAN: I would say that it was perfectly all right to ask questions about the relationship or operations between Northern Electric and Bell Telephone. But I thought the line of questioning was going into hypothetical matters assuming that the Bell Telephone should do certain things as a result of a court action. That is altogether different. I am not ruling against asking questions which are directly connected with the business of the Bell Telephone Company of Canada at the present time.

*(Translation)*

Mr. BEAULÉ: On a point of order, Mr. Chairman, there are Crown Companies who sit on the committee and are represented by company presidents. Today we have a private company here, the Bell Telephone Company, who do as they please. Because I maintain there is still a monopoly in Canada.

I think the members have the right to ask questions concerning the activities of the Bell Telephone Company. I also think the public have the right to know what that company intends to do for our constituents.

The CHAIRMAN: That is precisely the case today. We should discuss matters concerning the Bell Telephone and not decisions handed down in court by a judge on some point.

There is a matter which constitutes the basis for discussion at this time and concerns the Bell Telephone Company. It is a matter we should discuss without discussing the reasons why a judge hands down a certain decision.

Mr. BEAULÉ: On a point of order. If you recall, when the committee before which Mr. Gordon gave evidence was sitting, a decision was handed down in the Quebec court regarding road transportation. The committee allowed similar discussions in that field. I think that is the way it should be.

The CHAIRMAN: If I remember rightly no decision was handed down in that case—

Mr. BEAULÉ: No. Mr. Chairman, a decision was handed down.

(Text)

Mr. REGAN: Mr. Chairman, on a point of order, I would like to say why I feel it is necessary. Perhaps members of the committee will understand why it is necessary to go fairly deep into this matter, because the purpose of the special act is to restrict the purpose and the actions of the company. If the mere fact that the company owns one telephone line as an incidental portion of its vast operation enables the Bell to buy shares in that company, then there would be nothing to prevent the Bell from buying one little telephone line, or erecting one, whereupon the Bell could legally buy out a multimillion dollar enterprise. I am sure it was not the purpose of the Bell at that time to do this.

The CHAIRMAN: You have made that statement.

Mr. REGAN: If additional directors are granted, is it your intention to have any of the new directors added to your company from the Northern Electric Company?

Mr. VINCENT: No, it is not our intention.

Mr. REGAN: You say it is not your intention. Those are all the questions I have.

(Translation)

Mr. BEAULÉ: Mr. Chairman, a moment ago in the submission presented by the company's lawyer, some figures were given. He stated that 97% of the company's shareholders resided in Canada and that the other 3% resided outside Canada— What percentage of shares is held by the 3% who— reside outside Canada?

Mr. VINCENT: —It is 2.8—

Mr. BEAULÉ: That is not what I am asking. What percentage of shares is held by the 3% who reside outside Canada?

Mr. VINCENT: Seven per cent, outside Canada—

Mr. BEAULÉ: Who have shares in the Bell Telephone Company? A few moments ago figures were mentioned, that from 1880 to 1927 the company was allowed to have 15 directors. At that time, was it not too much to have 15 directors?

Mr. VINCENT: In 1927—

Mr. BEAULÉ: You were allowed 15.

Mr. VINCENT: We have had 15, from 1927 on we have had 15. Before 1927 there were not always 15.

Mr. BEAULÉ: Now, with 15 directors, is that not sufficient for the entire administration?

Mr. VINCENT: We should have a little more leeway.  
We should be able to do things—things?

Mr. BEAULÉ: What things?

Mr. VINCENT: Things we want to have. We want to have better representation from the standpoint of territory. We might want— I would personally like to have a seat on the board so that our vice-presidents could take turns on the board for a period of six months, for instance, so that the directors could have an opportunity to get to know our officers.

So there would be one seat for the vice-presidents who would be appointed director in turn for a period of six months so that they would have an opportunity to get to know our people. It is a good thing, it would be a good thing if our vice-presidents could know the people who are there.

Mr. BEAULÉ: Would these vice-presidents who would sit on the board for six months or a year remain with the company?

Mr. VINCENT: No, they would resign after six months.

Mr. BEAULÉ: That would leave a vacancy.

Mr. VINCENT: That would leave a vacancy, so that the officers could be there for six months, so that they could be better known.

Mr. BEAULÉ: That does not correspond with your statement. The statement of the committee saying that it was the increase in staff—

Mr. VINCENT: It is one of the considerations.

Mr. BEAULÉ: It is one of the considerations.

Mr. VINCENT: There is another consideration. Some directors are sick or absent. We have very little leeway. The other one has not resigned yet, he is still on the board. We can appoint 17 or 18. If 2 are sick, that still leaves a fair number, 15 or 17 out of 20. With 20 we should be able to reach that figure.

At the present time with 15, if any of them are sick, we frequently have a meeting with 13 or 12. We would also like to have better representation from the people who are very active in the business.

Mr. BEAULÉ: Do you mean some members of the board are not very active?

Mr. VINCENT: The age limit at the present time is 72. In some cases people retire at 68 or at 70. We have very little margin. We certainly have a minimum of 15 on the board. If a couple of them are absent and 17 remain, we have at least 15 or over 15.

Mr. BEAULÉ: It is not a matter of increased business, it is a matter of having 15 directors, or 17, or 18 directors who will sit on the board?

Mr. VINCENT: In view of the size of the business we cannot have less than 15 directors. At the present time that is the case for the board.

Mr. BEAULÉ: Do you think that could solve the problem?

Mr. VINCENT: Yes, it would be an advantage. We can have 17 or 18, so—

Mr. BEAULÉ: If you appoint 20 directors for the company, will the administration increase?

Mr. VINCENT: The administration—

Mr. BEAULÉ: The cost of administration? Are those people going to be paid?

Mr. VINCENT: Like those who are there at present. At the present time those who are on the board get \$2,000 a year and \$100 for each meeting. Of the 15, there are now 9 who are members of the executive committee and have to attend a second meeting during the month. The board meets once a month, on the 4th Wednesday and the executive meet on the 2nd Wednesday.

Those who are on the executive committee get an extra \$3,000. I must point out that those people are not only obliged to assist at 2 meetings but they have quite a lot of work to do besides that. They receive a large volume of documents and are consulted over the 'phone. People go to see them at the office and even outside. They have a certain amount of work to do.

Mr. BEAULÉ: How many times in recent years have the 15 directors been present?

Mr. VINCENT: At how many meetings did we have 15 directors?

Mr. BEAULÉ: In recent years?



Mr. VINCENT: That is rather difficult to answer but I would say that there are very few meetings at which all 15 are present.

Mr. BEAULÉ: On this I would point out, Mr. Chairman, that if the figure is increased from 15 to 20, if they are not capable of having 15 directors on the board at the present time how will they be able to get 20 if the 15 they already have do not assist.

Mr. VINCENT: No, that is not what I meant. If at a given time we have 12 or 13 directors, and at another we have 18, according to the constitution, then there is a chance that we shall have 15.

Mr. BEAULÉ: Would it still not be better to have 15?

Mr. VINCENT: Some may be absent occasionally. That does not mean that the man is not capable of doing the work, it has nothing to do with their qualifications.

Mr. BEAULÉ: A large company like the Bell Telephone, when they call a meeting, it seems to me that a large company like that, as the Bell Telephone is indeed a large company, it seems to me that the directors should be there to know what happens at meetings.

Mr. VINCENT: I think there is nothing exceptional about the Bell Telephone. It is not possible to have all the members there just as you cannot have all the members present in the House.

Mr. BEAULÉ: You want to increase the number of directors from 15 to 20. If you are not able to complete the administration with 15 you will be even less capable of completing it with 20.

Mr. VINCENT: I do not understand what you mean. I mean that if we increase the number there is a better chance of having more people at meetings.

Mr. BEAULÉ: I agree. A while ago people were specific. We got figures concerning the company's equipment, for example. That is why, because of increasing sales, because of the staff and the new turnover of the company, you want more directors for the administration because that creates additional problems and more serious problems.

You tell me it is not a matter of figures, is it a matter of attendance?

Mr. VINCENT: Certainly, the figures show the size of the company at the present time and it should have a few more members on the board and a few more representatives at meetings. The figures Mr. Venne gave you were to show that we should have a little more opportunity to increase.

Mr. BEAULÉ: I have asked several questions. I would like to know whether in reality, having those directors might bring about an important project about which we know nothing.

Mr. VINCENT: No, that has nothing to do—

Mr. BEAULÉ: About which we know nothing—

Mr. VINCENT: That has nothing to do with any contemplated project. It is simply a matter of regular, ordinary administration. We find at the present time that we should have a little more leeway.

Mr. BEAULÉ: It would not bring about an increase in telephone costs at any place.

(Text)

The CHAIRMAN: Now, Mr. MacEwan.

Mr. MACEWAN: I have a couple of questions. I take it that Bell does not obtain supplies from any company other than from Northern?

Mr. VINCENT: No, that is not right. We do buy some outside.

Mr. MACEWAN: Do you call for tenders for these purchases?

Mr. VINCENT: At times we would call for tenders. It all depends on what it is.

Mr. MACEWAN: According to the type of equipment; in other words, Northern cannot supply all the equipment for Bell.

Mr. VINCENT: Again, I think it depends. Sometimes there are special items that they do not have.

Mr. MACEWAN: Percentagewise, how much do you buy from Northern, and how much from outside of Northern?

Mr. VINCENT: I would say that the sales of Northern are something in the order of \$300,000,000. We take a little bit more than one half of it in Bell. As compared to what we buy outside, I have a little difficulty in answering you now, but I could get it for you.

Mr. MACEWAN: All right.

Mr. VINCENT: Let me say this that it is very small compared to what we buy from Northern. What we buy from Northern is not all manufactured by Northern. There are some 6,000 suppliers involved in what Northern and Bell people do; it is in the order of 6,000 suppliers. This includes raw materials as well.

Mr. MACEWAN: It can be said fairly that Bell is certainly the biggest customer of Northern.

Mr. VINCENT: That is right.

Mr. MACEWAN: Of course this would reflect on the prices, would it not, at which Northern can provide supplies for other companies?

Mr. VINCENT: Well, I suppose so, but the volume might help.

Mr. MACEWAN: It would assist, and I take it that as far as your charter is concerned, your company believes, on the basis of the ruling by the board of transport commissioners, that it has the right to own Northern and to have interlocking directorates and so on?

Mr. VINCENT: Not only do we believe that we have the right, but we think that it is greatly to the benefit of the telephone service and the cost, and to the general expansion of the country. I think the fact that we have doubled in the last ten years shows this. What had happened between 1880 and 1953 was doubled between 1953 and 1963. I do not think that kind of thing would have been done without this Bell-Northern matter.

Mr. MACEWAN: Has there ever been any suggestion put to the company regarding an investigation by the combines branch of the Department of Justice? Have there ever been talks about that?

Mr. VINCENT: I do not know of any. Do you know of any, Mr. Venne?

Mr. VENNE: They have applied to us for certain answers, but they have never investigated us.

Mr. MACEWAN: You say they never carried out an investigation.

Mr. VENNE: They have asked questions of us.

Mr. MACEWAN: Have there been any questions asked recently?

Mr. VENNE: We have not had any questions from the combines commission for two years, I think.

Mr. MACDONALD: Was Northern Electric a party to the wire and cable prosecution?

Mr. VENNE: No.

Mr. MACDONALD: You were not subject to investigation in the wire and cable investigation?

Mr. VENNE: In that case there were two questions: One, whether Bell Telephone could hold shares in Northern; and two, the second question was—

Mr. MACDONALD: That is not what I asked. The wire and cable industries have been under almost continuous scrutiny by the Department of Justice in connection with their operations. Was Northern Electric a party to those proceedings?

Mr. VENNE: I cannot answer that question.

Mr. MACDONALD: I am rather interested in Mr. Regan's proposition that if by reason of establishing a very limited telephone connection you could get corporate power to invest in almost any business in the country, you would then be in a position to do so. It seems to me that Bell Telephone is confined to operating a telephone system. You say that their position is that it should be to the benefit of the country. Do you feel it is essential to the operation of Bell Telephone that it compete with wire, cable, and other manufacturers in the electronic business?

Mr. VINCENT: I think this is essentially why we have Northern. But you said something else.

Mr. MACDONALD: Is it essential to the operation of a good telephone system that you have this business such as Northern Electric which competes not only in the supply of telephone equipment but also with other private firms?

Mr. VINCENT: That is right.

Mr. MACDONALD: What is the position in the United States, then, with your associated company there?

Mr. VINCENT: The American Telephone and Telegraph Company owns Western too.

Mr. MACDONALD: Is it not a fact that A.T. & T. were compelled under the Sherman anti-trust act to divest themselves of this operation?

Mr. VINCENT: I do not know. Could you answer, Mr. Venne?

Mr. VENNE: Well, it was.

Mr. VINCENT: I do not know that they were compelled.

Mr. VENNE: There was a consent decree which limited somewhat the amount of holdings by A. T. & T. of Western Electric, but it did not go very far about limiting their powers.

Mr. MACDONALD: I was not familiar with the fact that Northern publishes a financial statement. To whom is that financial statement made available? Is it an annual report?

Mr. VINCENT: There were some 8,000 copies printed.

Mr. MACDONALD: Is it sent out to the Bell shareholders, and is it filed with the board of transport commissioners?

Mr. VINCENT: No, it is not sent to the Bell shareholders.

Mr. VENNE: Yes, I have sent copies of the Northern Electric financial statement to the board of transport commissioners.

Mr. MACDONALD: When you make application for recapitalization, is Northern Electric taken into consideration from the standpoint of determining adequate capital or adequate return on your investment?

Mr. VENNE: No, that question has not come up.

Mr. R. C. SCRIVENER (*Vice-President, Bell Telephone Company of Canada*): In all our rate applications the board of transport commissioners has satisfied itself basically on two points: One, that the prices we pay to Northern Electric are fair and reasonable; two: that our investment in Northern is returning adequate returns to justify that investment. These have been specific aspects



of a number of cases before the board of transport commissioners. Naturally, their findings are on record in the matter.

Mr. MACDONALD: Does the Northern Electric Company report to the board of transport commissioners as does the Bell?

Mr. SCRIVENER: Yes.

Mr. MACDONALD: On what do they base that information?

Mr. SCRIVENER: It has been based on financial considerations such as an examination of the records, the profits and the non-profits, during these applications. You will see it in the report of the Bell. Bell reports continuously to the board of transport commissioners, but Northern does not. However, during the applications the board has had complete latitude to ask whatever questions it wishes with respect to the Bell-Northern arrangement.

Mr. MACDONALD: Might I have a copy of the Northern annual report?

Mr. SCRIVENER: My copy is scribbled on, but it is not secret.

Mr. MACDONALD: Would you object to making it public?

Mr. SCRIVENER: Not a bit. Several thousand copies have been distributed. They are sent to suppliers and to investment people, and obviously to the shareholders. There is a big distribution to Northern employees and Bell employees and to anyone who wants a copy. If you wish to have a copy, just call us.

Mr. MACDONALD: That is all.

Mr. ADDISON: I would like to ask Mr. Vincent if his board of directors have made any study of the effect on the province or on a group of provinces with regard to the nationalization of his operations?

Mr. VINCENT: No, I do not think we have.

Mr. ADDISON: You say you have made no study of that type. In your group of 15 directors is there a committee now in fact that studies the effect of telephone lines and overhead lines, on new planned communities?

Mr. VINCENT: A committee of the board of directors?

Mr. ADDISON: Yes.

Mr. VINCENT: No. They do not go into that kind of thing. They do report on the operations. They approve the capital expenditures, and not only that, but they go into what it is for and where it is. They go over the estimates for each budget.

Mr. ADDISON: Would the board of directors be consulted with reference to a major policy shift such as the question of placing telephone communication wires underground; would they be consulted on that policy?

Mr. VINCENT: Yes. They are kept aware of that.

Mr. ADDISON: Is there any intended policy change along this line?

Mr. VINCENT: We are trying to do as much as we can, particularly in co-operation with other companies such as the power companies. I think we have made a great deal of progress. Of course, this is a lot easier in major cities than it is in small villages. We have done a lot of this and hope to do a great deal more, not only underground along the main streets, but also in respect of dropped wires going right to the houses.

Mr. SCRIVENER: Basically our policy is that the choice is to bury, but we run into various problems. This is a complicated matter. There is the problem of burying the wires jointly with hydro. Some terrain is easy to bury in, and other is most difficult. Where you have to blast rock there are problems. Sometimes you find there are 20 feet of earth to the rear of the houses. This earth has not been graded and the people have moved in. You cannot bury beneath that 20 feet. However, the first choice is to bury; this is our basic policy.

Mr. ADDISON: Mr. Chairman, I appreciate your leniency in permitting this line of questions. I have just one more question. Might these new people be used in respect of any project which might be in the planning stage?

Mr. VINCENT: No; we have nothing like that in mind.

Mr. ADDISON: You are not thinking about going into the space business, or buying any companies?

Mr. VINCENT: Nothing whatsoever of that nature.

Mr. ADDISON: Thank you.

Mr. ROCK: Mr. Vincent, I see in your financial report that your company pays over \$63 million in income taxes. I notice, also, that the total number of shareholders is over 195,000 and that over 97 per cent are Canadian. Also, I see that you have over 26 million shares, and they are over 93 per cent Canadian-owned, or held in Canada. Are these shares voting shares?

Mr. VINCENT: They all are voting shares. We have a very simple capital structure. It is all common stock and they all are voting shares.

Mr. ROCK: I always realized that your company is the most free enterprise company in Canada—

Some hon. MEMBERS: Oh, oh!

Mr. ROCK: —where many people are able to buy shares in the company.

Mr. REGAN: You can be one of the new directors.

The CHAIRMAN: Order.

Mr. ROCK: When you have the power to have additional directors, will the shareholders have the authority to vote in the new directors?

Mr. VINCENT: Yes, at the annual meeting.

Mr. ROCK: How many shareholders usually appear at your annual meeting?

Mr. VINCENT: The last meeting had the highest number we have ever had, and as I recall it there were between 300 and 400 people; let us say about 350.

Mr. ROCK: Are there such things as proxies?

Mr. VINCENT: Yes, of course.

(Translation)

Mr. BALCER: Mr. Chairman, I believe in private enterprise. Now, in the province of Quebec, as you know, the provincial government have nationalized electricity. Now and again it is said that the government ought to nationalize the Bell Telephone. In these circumstances I would like to allow the president to answer those questions.

According to certain articles that came out recently, that were published recently to the effect that people who are serviced by the Bell Telephone Company in the province of Quebec and in Ontario pay more than those serviced by nationalized companies in the western provinces such as Saskatchewan, Manitoba and Alberta, and I would like the president to give us an answer in that connection. I was surprised to read about it in the paper especially when you consider that the Bell Telephone now have 4 million telephone sets and an enormous capital and have a joint service with the Northern Electric who have the same president.

The service the Northern Electric carry out for the Bell Telephone Company enables them to pay less for their equipment.

This is what I am wondering: could the president, could Mr. Vincent tell us why rates are higher for the Bell Telephone than in the territories serviced by Crown companies like those in Alberta, Saskatchewan and Manitoba?

Mr. VINCENT: You have asked me several questions there, Mr. Balcer.

Mr. BALCER: My question is: Why are the Bell Telephone rates higher than those of the Crown Corporations in Alberta or Saskatchewan.

Mr. VINCENT: Do you mean the rates are higher under identical conditions, for the same number of telephones, or that the rates are higher in Montreal than in Edmonton, there is no comparison between Montreal and Edmonton. It would be necessary to compare the rates with the same number of telephones.

I am perhaps not sufficiently familiar with the rates in some of these cities. I was not under the impression that the rates were higher in Ontario and Quebec for the same exchange or for the same exchanges in those places.

Mr. BALCER: There was an article in the press the other day which gave a lot of details. I am sure you have read it.

Mr. VINCENT: I was under the impression that the present rates are more or less the same as those of companies with provincial networks, as you say, in Alberta, Manitoba and Saskatchewan, that their rates are the same as in Quebec. We have a lot more—

(Text)

Mr. BALCER: Mr. Chairman, Mr. Cantelon tells me his monthly rate is \$3.65 and in Ottawa it is \$5.65 for the same service.

Mr. VINCENT: What would be the population?

Mr. CANTELON: There is a great difference. It is about 2,200.

Mr. VINCENT: That is the difficulty in making comparisons. You would have to take a community with 25 telephones and see whether it is comparable.

Mr. BALCER: I am sure in the Bell Telephone you must have made comparative surveys and are able to answer this type of question.

Mr. VINCENT: I would like to look at this and give you the answer.

Mr. BALCER: This is the kind of argument people use.

Mr. VINCENT: Yes, but in making a comparison you would compare Edmonton to Montreal.

Mr. SCRIVENER: How many people did you say there were in your community?

Mr. CANTELON: Twenty two hundred; but it serves North Battleford, Wilkie and Unity, and a number of other communities.

Mr. SCRIVENER: I am guessing at the number of telephones in that exchange, but an individual residence line in our territory would be somewhere between \$3.75 and \$4.

Mr. REGAN: Why is it higher in a larger town?

Mr. SCRIVENER: Because of the scope of the service area. The greater the number of telephones you can call and be called from, the greater the value of the service.

Mr. MACDONALD: In a smaller area you would have to pay a toll charge outside the area?

Mr. SCRIVENER: Yes.

Mr. BALCER: As a result of that article which recently appeared in the papers there is the impression that Bell is charging \$5 and in the other provinces it is only \$3.

Mr. VINCENT: I will be glad to send you a comparison.

Mr. BALCER: I think it is important that we have this clarified.

The CHAIRMAN: Are there any other questions?



Mr. COWAN: Mr. Scrivener just made the statement that if there were more telephones available on the exchange, the rate should be higher. In heaven's name, do you not make more money because of the fact that there are more telephones and you ask each subscriber to pay a monthly bill? Then you say you should raise the rate because there are more people available on the telephone.

Mr. SCRIVENER: The economics of communications are such that every user must be interconnected with every other user. If you have two telephones, it takes one line to connect them.

Mr. COWAN: I did not know that before; thank you.

Mr. SCRIVENER: If you have three telephones, then it takes three lines to interconnect them. The more telephones you have, the more complex are the interconnections in order to permit each telephone user to speak to the other. This involves us in the complexity of a metropolitan area like Ottawa, Montreal or Toronto as opposed to a small rural community where there are a few telephones and where a simple switchboard will interconnect them. Therefore, with telephone service, the cost of providing it tends to be upward as you increase the complexity of the interconnection.

Mr. COWAN: The more telephones there are, the higher the rate?

Mr. SCRIVENER: The higher the cost of providing the service and the greater value of the service.

Mr. COWAN: Mr. Regan asked a question of Mr. Vincent; he asked him what proportion of the Bell Telephone Company's purchases go to the Northern Electric Company. He received an answer telling him what was the percentage of sales of Northern Electric. What percentage of the purchases by Bell Telephone Company go to Northern Electric?

Mr. VINCENT: Do you mean all purchases from Northern Electric as against the total purchases?

Mr. COWAN: Yes.

Mr. VINCENT: I do not have the amount. The purchases from Northern Electric are roughly \$150 million. I do not have the figures for the rest, but I think they would be fairly small.

Mr. COWAN: How much equipment does the Bell Telephone Company buy in a year from everybody, from the whole 6,000 suppliers you are talking about? I am interested in knowing what is the percentage purchased from Northern Electric.

Mr. VINCENT: It is a very high percentage.

Mr. COWAN: Can you give me the percentage?

Mr. VINCENT: I will get it for you.

Mr. COWAN: If you give it to me, the committee will not be here to hear the answer.

Mr. VINCENT: If I say it is in the order of 90 per cent, would that be good enough?

Mr. COWAN: Yes.

Mr. VINCENT: The rest of it is small. If you want to know whether it is 92 or 93 per cent, or what, I cannot tell you.

Mr. COWAN: Ninety per cent is fine. If the Bell Telephone Company, for instance, buys equipment from Lake Ontario Electric Supply, and they in turn have bought it from Northern Electric, do you show it as a purchase from the supplier, or from Northern Electric?

Mr. VINCENT: I never heard of that.

Mr. COWAN: I am using the name Lake Ontario Electric as a case in point. I wonder how many of the suppliers you mention are distributors for Northern Electric?

Mr. SCRIVENER: Obviously, if Northern Electric manufactures something we can obtain it cheaper from them than through a distributor.

Mr. COWAN: Yes, but there is nothing to stop you buying it from a distributor to show that you buy from a large number of people.

Mr. SCRIVENER: The Northern Electric Company buys from 5,000 or 6,000 different suppliers each year. That has nothing to do with the distribution of any products it manufactures.

Mr. COWAN: I think with the 90 per cent figure you are not doing too badly. Now there is absolutely no control. If Northern Electric quote equipment priced at \$1 million and somebody else at \$850,000 there is nothing to force the Bell Telephone Company to take the \$850,000 price.

Mr. SCRIVENER: I do not know whether you could make a comparison with the type of equipment. How can you compare? Most of the things we buy cannot be compared. How do you compare a cross balance office? Who else is going to produce it?

Mr. COWAN: You have answered my question indirectly by showing that the price you pay Northern Electric is none of our business on the basis that you cannot get it from another supplier.

Mr. SCRIVENER: We have bought switching equipment from outside Northern Electric.

Mr. COWAN: Since the Bell Telephone can pay what it likes to Northern Electric, you say it is the concern of Northern Electric.

Mr. SCRIVENER: I suppose like any business we do the best we can on our purchases.

Mr. COWAN: A lot of us do not think you do.

Mr. SCRIVENER: What makes you say that?

Mr. COWAN: Because Northern Electric stock is so closely held.

Mr. SCRIVENER: You conclude that because we hold the stock we do an uneconomical business; that is, that we do not operate economically because we own it.

Mr. COWAN: There is no regulation of the long distance telephone rate in Ontario and Quebec, is there?

Mr. SCRIVENER: Yes, of course.

Mr. COWAN: I ask this in view of the letter written under date of August 30, 1961, by Mr. Crump of the C.P.R. and Mr. Gordon of the C.N.R. to the Hon. Mr. Balcer in which they point out that the public long distance telephone rates in Canada are 50 per cent or more above comparable rates in the United States which are regulated by the federal communications commission. Is this statement of Messrs. Crump and Gordon of a 50 per cent excess charge on long distance rates in Canada correct?

Mr. VINCENT: I think it probably is correct. Whether the percentage is correct or not, the fact is that the rates are higher in Canada than they are in the United States. The development is not comparable at all; we have a very scattered population from one ocean to another.

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, on a point of order, there is something wrong. We were told a while ago that the rates are lower because the centres are smaller.

(Text)

The CHAIRMAN: Order, please.

Mr. Beaulé, let Mr. Cowan finish his questioning.

Mr. COWAN: This public letter dated August 30, 1961, written to Mr. Balcer never has been publicly challenged by anyone in the Bell Telephone Company. In 1960 the C.B.C. advertised for a ten year service to supply programming to the radio stations of Canada. It so happens that in Canada the C.N.R. has a line service available in Newfoundland and up in the Yukon Territory. The Bell Telephone Company put in a tender on that contract and secured the contract from the C.B.C. Can you tell me why the Bell Telephone Company did not speak to the C.N.R. first to find out what would be the sub-contract price in Newfoundland and the Yukon Territory. Do you often tender as a prime contractor without asking the subcontractor for his price first?

Mr. VINCENT: I think that was done after the contract. We did get the facilities from the railways after we got the contract—in bits.

Mr. COWAN: How were you able to make a bid in the first place without knowing what the subcontractor would tender?

Mr. VINCENT: I think we knew.

Mr. COWAN: How would you know?

Mr. VINCENT: From experience we do have an idea of the rates when we get facilities from the railways.

Mr. SCRIVENER: They have established commercial rates just as we have. We knew that if we wanted facilities from them at any point, they would be available to us at their standard commercial rates, and vice versa. If they were tendering they knew they could obtain from us some facilities at our standard commercial rates. We were tendering assuming we could obtain from them any facilities we may require at their standard published commercial rates.

Mr. COWAN: Mr. Gordon and Mr. Crump stated:

Assuming that it is in the national interest to maintain competition in the communications industry, we think you will agree that such competition cannot be preserved if one group is permitted to quote depressed rates in the competitive situation and to obtain recompense through higher rates for other services.

Mr. SCRIVENER: This is not so. These rates are approved by the board of transport commissioners in the same way as others.

Mr. COWAN: You probably tell the board of transport commissioners that you cannot operate at less than these rates which are 50 per cent higher than the United States rates.

Mr. SCRIVENER: Because of the development in Canada, sure.

Mr. ROCK: According to your report you own 100 per cent of Northern Electric which means that the profits of Northern Electric actually go to the Bell Telephone Company. Does this also mean that the shareholders of Bell Telephone benefit from this profit?

Mr. VINCENT: Of course.

Mr. ROCK: The reason I am asking this is somebody said here that because the Bell Telephone Company owns Northern Electric it is detrimental to the shareholders of Bell Telephone. I say it is not detrimental; it is to their benefit.

An hon. MEMBER: Users.

Mr. ROCK: They did not say users; they said shareholders of Bell Telephone.



(Translation)

Mr. LACHANCE: I would like to know, Mr. Chairman, perhaps we have already had an answer to this question, I would like to know the percentage of sales of Northern Electric... It was stated that it was 90% to the Bell Telephone Company. Is that correct?

Mr. VINCENT: Ninety per cent?

Mr. LACHANCE: Do Northern Electric sell to other companies?

Mr. VINCENT: Yes, approximately 50% of Northern Electric sales are to the Bell Telephone Company, the remainder are to others, but about half their sales are to the Bell Telephone Company.

Mr. LACHANCE: What is the procedure, what scale is used for sales to other interests besides the Bell Telephone Company?

Mr. VINCENT: They are in competition with others, they do the best they can. Apart from that, it can happen that sales to other companies are higher than those to Bell. But at the present time 52 or 53% of Northern Electric's sales are to Bell.

It could happen at some time that sales to others than Bell would be greater than those to Bell. But so far that has not happened.

Mr. BEAULÉ: I am rather confused, Mr. Chairman. A while ago we were told that rates were lower in a small centre because of the equipment and modernization in larger centres.

If we take Three Rivers, Quebec and Montreal the comparison is as follows: The population of Three Rivers is seventy-five thousand, that of Quebec two hundred thousand and that of Montreal a million and a half, but the rates are about the same.

A moment ago we were told, for example, that rates are higher in Canada than in the States, is that because the population is greater there than in Canada?

Mr. VINCENT: It is not only because the population is greater. It may also be a matter of development, the number of long distance calls.

Mr. BEAULÉ: A moment ago we were told that the larger the population, the higher the rates...

Mr. VINCENT: Long distance...

Mr. BEAULÉ: So if the population is greater in the United States the rates should be higher.

Mr. VINCENT: We are not talking of exchanges now, we are talking of long distance. When we say there is greater development in the United States than here, we mean long distance.

Mr. BEAULÉ: Let us take the case of Quebec, Three Rivers and Montreal. Montreal's population is seven times greater than that of Quebec.

Mr. VINCENT: Your comparison...

Mr. BEAULÉ: It is easier to understand. Quebec has a population of two hundred thousand and Montreal a population of one-and-a-half million.

Mr. VINCENT: You are comparing the rates for local exchanges. You should compare it with long distance.

Mr. BEAULÉ: It should be compared with long distance. But a while ago it was said that the equipment costs more.

Mr. VINCENT: For local service.

Mr. BEAULÉ: In Montreal you have a population of one-and-a-half million and in Quebec you have two hundred thousand.

Mr. VINCENT: It costs more for local service.

Mr. BEAULÉ: What is the difference?

Mr. SCRIVENER: An individual line in Montreal costs \$5.85 and in Quebec, \$5.30.

Mr. BEAULÉ: And in Ottawa?

Mr. SCRIVENER: The same as in Quebec, \$5.30 for an individual line.

Mr. BEAULÉ: \$5.85?

Mr. SCRIVENER: The sales price.

Mr. BEAULÉ: All right. Now, another question.

Mr. BEAULÉ: You want to increase the number of directors from 15 to 20. If the board of directors had to vote and there was an equal...

Mr. VINCENT: The President of the board would abstain I suppose.

Mr. BEAULÉ: That is what you suppose. I am asking you, if a matter has to be voted on and if one director was sitting and there was an equal number, is the President not considered to be a director?

Mr. VINCENT: He might not vote.

Mr. BEAULÉ: All 20 directors might not be of the same opinion.

Mr. VINCENT: You want to have 19 or 21 directors?

Mr. BEAULÉ: Normally you need an uneven number.

Mr. VINCENT: That is perhaps a good suggestion, we would ask for 19 or 21.

Mr. BEAULÉ: 19.

Mr. BALCER: A while ago we were told that in the United States long distance is less expensive because there is greater concentration. In that case why are rates lower in the Prairie provinces where the population is less concentrated, than in the Toronto and Montreal areas.

Mr. VINCENT: That is again a comparison. You say that long distance is cheaper in the Prairie provinces than in Ontario or Quebec?

Mr. BALCER: Yes, I have seen that for myself, unless there has been a change. It is less expensive. I think the company should provide the committee with all that data.

The CHAIRMAN: Yes.

Mr. BALCER: Comparative figures for the various provinces of Canada and a comparison with the United States.

The CHAIRMAN: Could you provide us with that information Mr. Vincent?

Mr. VINCENT: Certainly.

(Text)

The CHAIRMAN: Now, Mr. Macdonald.

Mr. MACDONALD: Will one of the new directors be a nominee of A. T. & T.?

Mr. VINCENT: There is one now, and we would expect that there would still be one.

Mr. MACDONALD: You mean there will be no increase in that regard?

Mr. VINCENT: No.

Mr. MACDONALD: You said that the A. T. & T. had about 2 per cent of your stock, but that is not effective control.

Mr. VINCENT: No, actually on the question of ownership and so on we have an American director, but it is not because of the 2.8 per cent; it is because we operate a continental network. Our main link with the Bell system is not this ownership; it is not the 2.8 per cent. We have a service agreement whereby we benefit from a lot of research work which is done down there—although in recent years we are bringing about an increase in our research work done right here in Ottawa through the Northern lab. I think we will always depend

on them, because from the Bell lab, we get a lot of advice on how to operate the continental network. That is why we like to have one of the representatives from the United States.

Mr. MACDONALD: You have an extensive contractual arrangement with A. T. & T.?

Mr. VINCENT: We have this agreement from which we benefit from the work done at the Bell lab. They employ 15,000 people there, and it is a very large affair.

Mr. MACDONALD: And you pay a share of that service?

Mr. VINCENT: The way it is done is that we pay 1 per cent of our revenue.

Mr. MACDONALD: Is that agreement scrutinized as well by the board of transport commissioners?

Mr. VINCENT: Yes.

Mr. COWAN: Do you pay 1 per cent of your gross revenue or of your net revenue?

Mr. VINCENT: We pay 1 per cent of our gross revenue.

Mr. MACDONALD: Does this agreement give you access to research and patents and other property? Is there any other point covered?

Mr. VINCENT: Oh, yes, there is a great deal more in the way of accounting practices, construction methods, plant management, and all new developments in installation work and that kind of thing. It goes far beyond just research matters. I think that maybe this is one of the most important things.

Mr. SCRIVENER: In looking at the company from the point of view of operations, I want to know how good a job we are doing, how we can improve it, and how we can do a better job. There is complete interchange of information. For instance, if I want to know what they are doing, let us say, at Cleveland or at Los Angeles, in order to find out if we could do something better, they provide that information. We are continually comparing their operations with our operations in complete and extensive detail. As a result of it, I am personally satisfied that we have been able to provide a superior and better service, and to provide an incentive and motivation to our people to do a better job because we are constantly competing with every telephone company in the Bell system in the United States.

Mr. MACDONALD: In regard to industrial development here, and I mean industrial design and patents, do you get some compensation from them for what you give to them?

Mr. SCRIVENER: There is a reciprocal patent arrangement.

Mr. MACDONALD: Northern does around \$7,000,000 to \$8,000,000 export business. Does any of it go into the North American market?

Mr. VINCENT: Most of it, I would say, but there are plans to get a great deal more outside the continent.

Mr. MACDONALD: Is there any contractual inhibition against your getting into the American market to supply equipment for A. T. & T. and their subsidiaries?

Mr. VINCENT: No. A good deal is sold to the telephone companies down there. Do you mean that the American suppliers resent Northern selling down there?

Mr. MACDONALD: No, I would put it stronger. Are there contractual arrangements with A. T. & T. which prevent you from getting into their territory?

Mr. VINCENT: No.

Mr. SCRIVENER: We recently sold Western Electric several million dollars worth of cable.



The CHAIRMAN: Now, Mr. Lachance.

(Translation)

Mr. LACHANCE: Mr. Chairman, to revert to Northern Electric, if I understood correctly you said that approximately 54 or 55% of Northern Electric sales are to the Bell Telephone Company.

Mr. VINCENT: Something like that.

Mr. LACHANCE: Which would leave approximately 45% outside the Bell Telephone and the Northern Electric. From what I understand Northern Electric sells to competitors of the Bell Telephone.

Mr. VINCENT: When you say competitors do you mean other telephone companies?

Mr. LACHANCE: Yes.

Mr. VINCENT: They are not called competitors.

Mr. LACHANCE: They are not competitors?

Mr. VINCENT: Because if they want to sell, because if they sell to organizations we are not going to set up business in Manitoba or elsewhere. There are never two telephone companies in one and the same city. What you mean is, do they sell to other telephone companies apart from ours?

Mr. LACHANCE: On the other hand it happens to be the Bell Telephone Company who decide on prices.

Mr. VINCENT: No, the others can buy elsewhere. Moreover, there are a number of telephone companies who do not buy from Northern Electric, they buy from Automatic or Erickson. If some people buy from the Bell Telephone Company it is because they consider it to their advantage to do so.

Mr. LACHANCE: You say there used to be two telephone companies, but there cannot be two telephone companies.

Mr. VINCENT: No, there cannot be two telephone companies. There may have been two but it does not make sense.

(Text)

Mr. MACEWAN: What are the associated subsidiary companies to Northern Electric, roughly?

Mr. VINCENT: The subsidiaries are: Dominion Sound Equipment. I think recently they formed a Caribbean company chiefly because they were trying to get the west into these markets. It was thought useful to start a little company down there. I think those are the only two subsidiaries.

Mr. MACEWAN: Does Bell have an interest in the New Brunswick Telephone and Telegraph Company?

Mr. VINCENT: Yes.

Mr. MACEWAN: What would it amount to?

Mr. VINCENT: It is about one third.

Mr. MACEWAN: Have you any interest in the Maritime Telephone and Telegraph Company?

Mr. VINCENT: Yes, but it is very small. I think it is less than 10 per cent or maybe 8 per cent, in about that order.

Mr. MACEWAN: This would work to the advantage of those companies, would it not?

Mr. VINCENT: In the same way that we have direct service with the A. T. & T. The American company will not attempt to have a direct service with these other companies. They say we have it with you, and you supply it to the other companies if you wish.

Mr. MACEWAN: It gives them the advantage of these facilities. Do you have a director on the Bell board from the Atlantic area?

Mr. VINCENT: I should not say from the Bell board, but rather from the Bell company.

Mr. SCRIVENER: If your question is: Do we have a director from New Brunswick or Nova Scotia, the answer is no.

Mr. VINCENT: We have a Bell officer who is a director from the maritimes and New Brunswick.

Mr. SCRIVENER: There is no Atlantic or maritimes province director on our board.

Mr. STENSON: You told us that you had one director from the United States, and you have not any from the maritimes. Are the remainder of your directors all from Quebec and Ontario?

Mr. VINCENT: Yes, the remainder of our directors are all from our own territory.

Mr. STENSON: In what cities does Northern Electric operate?

Mr. VINCENT: You say Northern?

Mr. STENSON: Yes.

Mr. VINCENT: Northern Electric operates from coast to coast.

Mr. STENSON: Where are their plants which supply you?

Mr. VINCENT: They are all over the place, mostly I would say in Ontario and Quebec. But they have some small ones outside.

Mr. SCRIVENER: They are a distributing organization, selling as they do to a great many people in Canada; and they have distributing organizations across the country. However their manufacturing plants are all in Ontario and Quebec.

Mr. VINCENT: And they have their offices.

Mr. SCRIVENER: Distributing houses and that kind of thing, but no manufacturing outside of Ontario and Quebec.

Mr. STENSON: Do your directors meet in Ottawa or Montreal?

Mr. VINCENT: We meet at Montreal.

Mr. COWAN: I am an Ontario taxpayer and I have to pay 15 cents a gallon for the use of the roads and highways of Ontario. How much does Bell Telephone Company have to pay to municipalities and to the province for the use of the highways for the so-called right of way for their telephone poles?

Mr. VINCENT: We pay taxes just like everyone else who uses the highways.

Mr. COWAN: Trucking companies pay taxes, and they also have to pay a gallonage tax for the use of the roads and the use of the highways; yet you use the roads and highways free for your operations so far as the right of way for your poles is concerned.

Mr. VINCENT: Yes.

Mr. ROCK: And also in the municipalities.

Mr. VINCENT: Yes.

Mr. ROCK: There is a public utility law whereby the municipalities have to provide you with rights of way all through the province.

The CHAIRMAN: Order. Are there any other questions?

Mr. BALZER: In rural Quebec I understand that Bell Telephone does not pay taxes for the telephone poles. There is a special section in the municipal code, I think, which exempts them from paying municipal taxes. Is that not a fact?

Mr. VENNE: If I might answer that question, it depends on the wording of the municipal code under the cities and towns. We are covered and they can tax the poles and equipment. But under the municipal code in view of the definition of the word "immovable" they cannot tax us. There have been representations made to Quebec many times about that very question. At one time, about 20 years ago, I think, provisions were made, when a small telephone company said to the government that they could not pay it. Nothing was done about it. Mind you, this company of ours—we pay taxes, but we face that situation now from the fact that the wording of the definition is not conclusive and we are exempt.

Mr. HOWE (*Wellington-Huron*): I understand that Bell has been doing a progressive job in putting a lot of its lines in rural areas under ground. Is it a progressive program, and if so, how much of it has been done at the present time?

Mr. SCRIVENER: This question came up from another quarter, from a gentleman to your left. In the terms you mentioned, speaking rurally, in this case the company would bury its poles. When we have our wires in residential areas, our first choice is to bury them. In rural territory we bury them if the economics are advantageous as opposed to pole construction. For example, if you operate a line near Sudbury for a telephone service, you will find that burying is a very costly business. But if you are working through farmland, then burying is economic. We would prefer to bury, because basically our plant is safer when it is buried. About the only danger is when someone puts something in the ground and knocks it out. This does happen, but when buried we are not subject to storm damage and that sort of thing.

Mr. HOWE (*Wellington-Huron*): Your maintenance would not be nearly as great if your lines were buried. But suppose a farmer should run across your line and break it. Who is responsible? Would you charge him for it?

Mr. SCRIVENER: That is a hazard of our business. When a contractor digs into our line, it is regarded as a hazard of our business. That is part of the price of admission, so to speak.

Mr. HOWE (*Wellington-Huron*): Thank you.

Mr. COWAN: Returning to the question of the poles on the highway, suppose a man is driving carefully along the road, and his car is forced to a sudden stop by reason of a carelessly driven vehicle approaching him. Suppose that man is thrown out of his car against a telephone pole and is killed. His family has no right to claim against the telephone company for that man's death.

Mr. SCRIVENER: If our pole were improperly placed there would be such a right. But if our pole is properly and legally placed, then there is no such right.

Mr. COWAN: Suppose it is legally placed on a public highway.

Mr. SCRIVENER: The legal agreement would provide that we were where we were permitted to place our plant.

Mr. COWAN: On a public roadway?

Mr. VINCENT: It would have to be approved by the province or the municipality. We have to get permission.

Mr. SCRIVENER: If that pole were not properly placed, we would incur the liability of anyone who does something improper.

Mr. COWAN: Who would decide the question?

Mr. SCRIVENER: Whoever has jurisdiction over that right of way.

The CHAIRMAN: Are there any other questions? Shall clause 1 carry?

Mr. BALZER: Would one of these directors be a representative of labour?



Mr. VINCENT: Where?

Mr. BALCER: With the new five additional directors do you intend to name a representative of labour on your board?

Mr. VINCENT: No, that is not the intention.

Mr. ROCK: He would cease to be labour, then.

The CHAIRMAN: Shall clause 1 carry?

Clause 1 agreed to.

Shall the preamble carry?

The preamble was agreed to.

Shall the title carry?

(Translation)

Mr. BEAULÉ: Mr. Chairman, not too fast. I have an amendment to bring to clause 8, third line, concerning this: after the word "at least"... change this by 19. This in view of avoiding conflicts in administration.

Mr. LACHANCE: Would you not prefer 21?

Mr. VINCENT: I would prefer to keep 20.

(Text)

I would rather stay with twenty.

Mr. ROCK: If you fellows want to come down here and ask for, let us say, twenty five, and have all these questions asked over again, you might just as well make it twenty five now.

The CHAIRMAN: Order. Mr. Beaulé has moved—is there a seconder? Oh yes, seconded by Mr. Balcer—that clause 1, be amended to read, in the second line "by a board of not less than five nor more than twenty one directors".

(Translation)

In French, on the second line of clause 1: a board of directors composed of at least 5 members and of 21 members at the most.

(Text)

What is the wish of the committee?

Mr. ROCK: May we discuss this?

The CHAIRMAN: Yes.

Mr. ROCK: They are asking for twenty. I do not see why we should force twenty-one on them. For what reason would we do this?

(Translation)

Mr. BEAULÉ: Not yet. When the Board of directors meet and a matter has to be voted on, and the Board is made up of 20 members, in that case who is to preponderate in the vote?

Mr. ROCK: You said out of 10—

(Text)

If we make an amendment to the bill, would it then have to go back to the Senate?

The CHAIRMAN: Mr. Beaulé wishes to withdraw his amendment. Do you agree, Mr. Beaulé?

(Translation)

Mr. BEAULÉ: The president is one of the directors.

Mr. VENNE: Except that under the Companies Act the person presiding has an additional right when there is an equal number of voters. I do not believe that 21 can change the situation.

Mr. BEAULÉ: I think in all companies the number of directors is uneven.

The CHAIRMAN: Mr. Beaulé—

Mr. BALCER: It is because we have confidence in the future of the Bell Telephone Company and we know they do so much business—

Mr. BEAULÉ: If the president's vote is preponderant, the amendment is dismissed.

The CHAIRMAN: Under the Companies Act, I have not wanted to interfere up to now, I have not wanted to interfere in the discussion, but I had to mention that.

(Text)

Shall the title carry?

Carried.

The CHAIRMAN: Shall the bill carry?

Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Carried.

The CHAIRMAN: Thank you very much.

Mr. VINCENT: I was glad to have the opportunity to be here. I knew we had a simple bill, but personally I welcomed the opportunity to be here and give you information. I was not going to stick to the bill. We welcome the opportunity to answer your questions.

The CHAIRMAN: Thank you very much.





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

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TUESDAY, SEPTEMBER 1, 1964.

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Respecting

Bill S-39—An Act to incorporate Meota Pipe Lines Ltd.

WITNESSES:

Honourable R. A. Bell, Q.C., Parliamentary Agent, and Messrs. A. John  
Cressey and Stanley Reesor Kaufman.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS and TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.  
and Messrs.

Addison	Godin	Matte
Armstrong	Granger	McBain
Balcer	Grégoire	McNulty
Basford	Guay	Mitchell
Beaulé	Hahn	Millar
Béchar	Howe ( <i>Wellington-</i>	Muir ( <i>Lisgar</i> )
Berger	<i>Huron</i> )	Olson
Boulanger	Irvine	Nugent
Cadieu	Kennedy	Orlikow
Cameron ( <i>Nanaimo-</i>	<sup>2</sup> Kindt	Pascoe
<i>Cowichan-The</i>	Korchinski	Prittie
<i>Islands</i> )	Lachance	Pugh
Cantelon	Lamb	Rapp
Cantin	Laniel	Regan
Cooper	Latulippe	Rhéaume
Cowan	Lloyd	Rock
Crossman	Lessard ( <i>Saint-Henri</i> )	Ryan
Crouse	Macdonald	Southam
<sup>1</sup> Énard	MacEwan	Stenson
Fisher	Mackasey	Tucker—(60)
Foy	Marcoux	

(Quorum 12)

Maxime Guitard,  
*Clerk of the Committee.*

<sup>1</sup> Mr. Leblanc replaced Mr. Énard, on July 13, 1964.

<sup>2</sup> Mr. Horner (Acadia) replaced Mr. Kindt, on August 31, 1964.

*Corrigendum*

Issue No. 4, page 431, line 7 should read: C.N.R. has the only service available...

## ORDERS OF REFERENCE

MONDAY, July 13, 1964

*Ordered*,—That the name of Mr. Leblanc be substituted for that of Mr. Émard on the Standing Committee on Railways, Canals and Telegraph Lines.

THURSDAY, August 20, 1964

*Ordered*,—That Bill S-39 An Act to incorporate Meota Pipe Lines Ltd. be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, August 31, 1964

*Ordered*,—That the name of Mr. Horner (*Acadia*) be substituted for that of Mr. Kindt on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND

*The Clerk of the House.*

## REPORTS TO HOUSE

SEPTEMBER 1, 1964

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### THIRD REPORT

Your Committee has considered Bill S-39, An Act respecting Meota Pipe Lines Ltd., and has agreed to report it without amendment.

Respectfully submitted,

SEPTEMBER 1, 1964

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### FOURTH REPORT

Your Committee reported this day Bill S-39, An Act to incorporate Meota Pipe Lines Ltd., as its Third Report.

Clause 3 of the said Bill provides for Capital Stock of four million shares without nominal or par value.

Your Committee recommends that, for the purpose of levying the charges provided for under Standing Order 94(3), the proposed Capital Stock consisting of four million common shares without nominal or par value, be deemed to be worth four million dollars (\$4,000,000.00).

Respectfully submitted,

Concurred in on September 1, 1964.



SEPTEMBER 8, 1964.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

## FIFTH REPORT

A copy of the Minutes of Proceedings and Evidence relating to Bill S-39, An Act to incorporate Meota Pipe Lines Ltd., (Issue No. 5) is appended.

Respectfully submitted,

JEAN-T. RICHARD,  
*Chairman.*

# MINUTES OF PROCEEDINGS

TUESDAY, September 1, 1964

(14)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:38 o'clock a.m. this day. The Chairman, Mr. Jean-T. Richard, presided.

*Members present:* Messrs. Armstrong, Beaulé, Béchard, Cantelon, Cantin, Cowan, Crossman, Granger, Horner (*Acadia*), Howe (*Wellington-Huron*), Leblanc, MacEwan, McBain, McNulty, Nugent, Rapp, Richard and Southam—18.

*In attendance:* Hon. R. A. Bell Q.C., Registered Parliamentary Agent, Messrs. A. John Cressey, Solicitor, and R. Kaufman, President of Meota Pipe Lines Ltd.

The Committee considered Bill S-39, An Act to incorporate Meota Pipe Lines Ltd.

*On the Preamble:* The Chairman invited the Sponsor, Mr. Terry Nugent, M.P., to introduce the Parliamentary Agent, Hon. R. A. Bell, Q.C.

In turn, Hon. R. A. Bell, Q.C., introduced Messrs. A. John Cressey and R. Kaufman.

The Preamble, Clauses 1 and 2 were carried.

*On Clause 3:* The Clerk of the Committee read a solemn declaration dated May 7, 1964, filed with the Chief Clerk of Committees, respecting the nominal or par value of shares.

CANADA

PROVINCE OF ALBERTA

TO WIT

IN THE MATTER OF THE PROPOSED  
APPLICATION FOR INCORPORATION  
OF MEOTA PIPE LINES LTD.

I, STANLEY REESOR KAUFMAN, of the City of Edmonton, in the Province of Alberta, do solemnly declare:

1. That I am one of the proposed Directors and proposed initial shareholder of the proposed corporation.

2. That the proposed capital stock of the Company will be Four Million Dollars (\$4,000,000) and for purposes of capitalization the Four Million (4,000,000) no par value share will be valued at the rate of One Dollar (\$1.00) per share.

AND I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the Alberta Evidence Act.

DECLARED before me at the

City of Edmonton, in the

Province of Alberta,

this 7 day of

May, A.D. 1964

*S. R. Kaufman*

A. J. Cressey  
A Notary Public In and  
for the Province of  
Alberta.

Then, on motion of Mr. Horner (*Acadia*), seconded by Mr. Southam,

*Resolved*,—That, for the purpose of levying the charges provided by Standing Order 94(3), the Committee recommends that the proposed capital stock consisting of four million shares without nominal or par value, be deemed to be worth four million dollars (\$4,000,000.00).

Clauses 3 to 11 inclusive, the Title and the Bill were severally carried and the Chairman instructed to report the Bill without amendment.

The Committee requested that both the map showing the all Canadian route of Meota Pipe Lines Ltd. as Exhibit No. 1 and the By-Laws already filed with the Committees and Private Legislation Branch, as Exhibit No. 2, be published as appendices to this day's Minutes of Proceedings and Evidence.

At 10.53 o'clock a.m. the Committee adjourned to the call of the Chair.

Maxime Guitard,  
*Clerk of the Committee.*



## EVIDENCE

TUESDAY, September 1, 1964

The CHAIRMAN: Gentlemen, we have a quorum.

This morning we are examining a bill to incorporate Meota Pipe Lines Ltd. I shall call the preamble, and then I will ask the sponsor of Bill No. S-39, Mr. Nugent, member of parliament, to introduce the parliamentary agent, the Hon. R. A. Bell, Q.C.

On the preamble.

Mr. NUGENT: Mr. Chairman, and gentlemen, I know you will be very happy to learn that I do not intend to make a speech, and I do not think that Mr. Bell really intends to make a long speech.

I am sure all members of the committee know who Mr. Dick Bell, Q.C., is. He is a former minister in the last government.

Mr. Bell will introduce the other witnesses who are appearing before you this morning.

I hope it will not be necessary for me to take any part in the proceedings. But, of course, if anyone has any pertinent, or even impertinent questions, I would only be too happy to answer them.

Would you proceed, Mr. Bell.

Hon. R. A. BELL, Q.C. (*Parliamentary Agent*): Mr. Chairman and gentlemen, from experience I belong to that school which believes that parliamentary agents should be seen and not heard. I have only two or three brief statements to make.

I think the bill is in the standard form, which has become traditional since the enactment of the national energy board. Under that act, as the committee is aware, only a company can construct or operate a pipe line. A company is defined in the bill as one which has been incorporated by special act of parliament.

This particular pipe line is not in any sense a promotional venture; it is being set up as a vehicle to meet an existing need, particularly for service in southwestern Manitoba.

As the committee is aware, the incorporation by special act is only the first step. The procedure thereafter is to acquire a certificate of public convenience and necessity from the national energy board.

As you realize, this line will be crossing the Saskatchewan-Manitoba border. The distance of the contemplated total line is 42 miles.

Present this morning to assist the committee in their deliberations is Mr. S. R. Kaufman. If parliament incorporates this pipe line company it is proposed that Mr. Kaufman shall be the president of the company.

With Mr. Kaufman this morning is Mr. A. Jack Cressey, who is the solicitor for the applicant. Mr. Cressey would like to assist the committee very briefly in respect of two or three matters.

Mr. A. J. CRESSEY (*Solicitor for the Applicant*): Mr. Chairman and gentlemen, the incorporators are seeking a charter from the federal government to construct interprovincial pipe lines for transmitting natural gas to the southwestern corner of Manitoba from southeastern Saskatchewan.

Basically, the mechanics of this are that they are required to receive a special act, in order to acquire the status of a company or a legal entity. Then they have to appear before the national energy board and this board will decide on the structural and economic details of the line. Then the public utilities commission of the province of Manitoba, where the gas is to be distributed, will have to establish the gas rate and the terms and conditions under which the gas will be delivered to the consumers.

The incorporators are all engaged in management and engineering capacities with a group of associated gas and electric companies in Canada which operate on a nationwide basis.

The president of Meota Pipe Lines Ltd., should it get its charter, will be Stanley Reesor Kaufman, who is vice president and general manager of Great Northern Gas Utilities (Operations) Ltd., Plains Western Gas & Electric Co. Ltd., Plains Western Gas (Manitoba) Ltd., Great Northern Gas Co. Ltd., North Shore Propane Co. Ltd., and vice president and treasurer of Rockgas Propane Ltd.

This group of companies are distributing propane in 106 communities in Manitoba and natural gas in 22 communities. At present they are distributing natural gas in Fort St. John, British Columbia, Athabaska, St. Paul, Leduc, Calmar, Westlock, Morinville, Stettler, Hanna, Drumheller, Pincher Creek, Three Hills and Two Hills, all in Alberta. In Manitoba they are distributing in Brandon, Carberry, Morden, Winkler, Altona, Plumb Coulee, and at present they are in the process of installing natural gas in Carmen. They are also engaged in a propane-air distribution system at Sault Ste. Marie, Ontario.

The companies are looking to the distribution of fuel in other areas of Canada and in many instances, such as the contemplated natural gas service to southwestern Manitoba, they will require a permit to transmit gas across provincial boundaries.

The contemplated route of the pipe line, should Meota get its charter, will be from Alida in southeastern Saskatchewan across to Melita in southwestern Manitoba. The area is marked in red on the map. I am referring here to the Saskatchewan-Manitoba boundary. It is contemplated that future extensions would see it go on to serve the area farther east of Melita.

It would be a four inch pipe line. The gas is available from the system of the Saskatchewan Power Corporation in southeastern Saskatchewan.

As I mentioned, originally, the available market would be around Melita. There is no existing facility to supply natural gas in that area at the present time. The trans Canada pipe line is 61 miles north of the contemplated area.

The group of companies have within their own capacity the financial resources to construct the system.

Mr. RAPP: If I may interrupt, is this same company operating in Saskatchewan?

Mr. CRESSEY: No. All natural gas in Saskatchewan is distributed by the Saskatchewan Power Corporation.

Mr. RAPP: Then, have they a monopoly on it?

Mr. CRESSEY: Well, I do not care to comment on that. They certainly are serving all areas of Saskatchewan.

The CHAIRMAN: Mr. Cressey, have you finished your statement?

Mr. CRESSEY: Yes.

The CHAIRMAN: Are there any questions? If not, shall clause 1 carry?

Mr. MCBAIN: Mr. Chairman, I have one question.

Mr. Cressey, where do you receive your supply of natural gas?

Mr. CRESSEY: From the existing trunk line of Saskatchewan power corporation at Alida. The Saskatchewan Power Corporation has an existing grid throughout the province and they have gas available at Alida.

Mr. McBAIN: And you are purchasing your supply from the Saskatchewan Power Corporation?

Mr. CRESSEY: Yes.

Clauses 1 and 2 agreed to.

On clause 3—*Capital stock*.

The CHAIRMAN: Since the nominal or par value of the shares was not included in the petition or in the body of the bill I would ask the clerk to read the solemn declaration made to that effect by one of the petitioners, Mr. Kaufman.

The CLERK OF THE COMMITTEE: reads a solemn declaration made by Mr. Stanley Reesor Kaufman before Mr. A. J. Cressey, a Notary Public in and for the Province of Alberta.

(See this day's Minutes of Proceedings.)

The CHAIRMAN: You will understand that the purpose of this amendment is to establish a value so that the clerk can make the proper charge on this bill. It does not amend clause 3 of the bill. Will someone make a motion to that effect.

Mr. HORNER (*Acadia*): For the purpose of setting the fee I move that the value of the shares be rated at \$1 per share.

Mr. SOUTHAM: I second the motion.

Motion agreed to.

Mr. LEBLANC: I understand that the \$1 rate is for tax purposes with regard to the issuance of the shares themselves, but is there any price set now on the market for those shares? In other words, what would be the market price of these shares?

Mr. CRESSEY: It is not contemplated at all that these shares would go on the market.

Mr. LEBLANC: It would be entirely a private affair?

Mr. CRESSEY: Yes.

Mr. LEBLANC: So, they would be bought at \$1?

Mr. CRESSEY: Yes.

Mr. LEBLANC: Therefore, there would not be anything in the nature of shares in escrow, or anything like that?

Mr. CRESSEY: No.

The CHAIRMAN: Any other questions on clause 3?

Shall clause 3 carry?

Clause agreed to.

On clause 4—*Head office and other offices*.

Mr. McNULTY: Under subparagraph (3) of clause 4 it is said:

No by-law for the said purpose shall be valid or acted upon until it is sanctioned by at least two-thirds of the votes cast at a special general meeting of the shareholders of the company—

Has any consideration been given to the time element involved in the calling of a meeting so that shareholders will receive proper notice?

Mr. CRESSEY: Yes, that is covered under the Dominion Companies Act.

Mr. BELL: One of the sections which is made applicable by section 7 does provide for notice.



The CHAIRMAN: Shall clause 4 carry?

Clause agreed to.

Clauses 5 to 11, inclusive, agreed to.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: That completes the business of the committee this morning. I want to thank Mr. Bell and Messrs. Cressey and Kaufman.

Mr. CANTIN: May I request the committee to have the charter together with the map included as an appendix?

Mr. LEBLANC: Yes, the charter together with the map, as well as the bylaws that are probably already made up.

Mr. NUGENT: The bylaws have to be filed with the Secretary of State afterwards.

Mr. CRESSEY: Gentlemen, I believe that the bylaws have already been prepared, but I believe that until the charter is granted and the bylaws are filed with the Secretary of State they cannot be accepted. The Secretary of State has to approve them. He will not do so until the charter is granted.

Mr. LEBLANC: What we want is to have the bylaws included as an appendix together with the map, even if there are to be changes afterwards.

Mr. NUGENT: May I suggest something? I am certain the company has no objection to this but I think, in fairness to the company, they would like to have it added—because the Secretary of State sometimes does insist on a change in bylaws of some kind or another—that the committee would accept them being filed as an appendix with that caveat.

The CHAIRMAN: Is it the wish of the committee that the proposed bylaws and the proposed map of the route be filed as an appendix?

It is agreed.

That completes the business of the committee.

Mr. HORNER (*Acadia*): I move we adjourn.



MANITOBA  
UNITED STATES



MEOTA PIPE LINES LTD.	
PROPOSED TRANSMISSION LINE	
SCALE : 1" = 3 miles	DATE : JULY '64.





## BY-LAW NO. 1

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of MEOTA PIPE LINES LTD.  
as follows:

## INTERPRETATION

1. In all by-laws of the Company, including this clause, unless the context or subject matter requires a different meaning:

"Annual Meeting" shall mean the annual general meeting of the shareholders of the Company required by the Statutes.

"Board" shall mean the board of directors of the Company.

"By-laws" shall mean this by-law and any by-law which may be enacted or passed amending, adding to or in substitution for such by-law, or any part thereof.

"Company" shall mean the above-named Company.

"Debenture" shall include "bond" and vice versa.

"Dividend" shall include bonus or any distribution to shareholders as such.

"General Meeting" shall mean a meeting of the shareholders.

"Month" shall mean calendar month.

"Office" and "Head Office" shall mean the head office of the Company, for the time being.

"Register" shall mean the register of shareholders to be kept as required by the statutes.

"Registrar" shall mean the Secretary or other officer or party for the time being in charge, or having custody and control, of the Register.

"Seal" shall mean the corporate seal of the Company or any official facsimile of the same.

"Secretary" and "Treasurer" shall include any person appointed temporarily or permanently to perform the respective duties of the Secretary and Treasurer, or holding such offices jointly.

"Special Act" or "Charter" shall mean the Act incorporating the Company.

"Special Meeting" shall mean any general meeting of the shareholders other than the annual meeting.

"Statutes" shall mean the Special Act and the Companies Act, Chapter 53 of the Revised Statutes of Canada, 1952, and every other Act or statute incorporated therewith or amending the same or any act or statute substituted therefor, and in the case of any such substitution, the reference in the by-laws to non-existing acts or statutes shall be read as referring to the substituted provisions in the new act or statute.

Words which have a special meaning assigned to them in the Statutes shall have the same meaning.

Words imparting the singular number only shall include the plural and the converse shall also apply.

Words imparting males shall include females.

Words imparting individuals shall include corporations.

2. The headings used throughout this by-law are inserted for reference purposes only, and are not to be considered or taken into account in construing the terms or provisions of any clause nor to be deemed in any way to qualify, modify or explain the effect of any such terms or provisions.

## OFFICES

3. The head office of the Company shall be situated at the City of Edmonton, in the province of Alberta, and at such place or address therein as the Board may from time to time by resolution fix and determine.

4. The Company may also have offices at such other places or addresses, whether in the province of Alberta or elsewhere, as the Board may by resolution fix and determine.

## SEAL

5. The seal, an impression whereof is stamped in the margin hereof shall be the seal of the Company.

## SHARES GENERALLY

6. The issuance of shares shall be under the control of the Board who may allot or otherwise dispose of the same at such times, in such manner and to such persons or classes of persons, as the Board may from time to time by resolution fix and determine.

## TRUSTS

7. The Company shall not be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share and the receipt of any shareholder in whose name a share stands on the books of the Company shall be a valid and binding discharge to the Company for any dividend or money payable in respect of such share, whether notice of such trust has been given to the Company or not, and the Company shall not be bound to see to the application of the money paid on such receipt.

## SHARE CERTIFICATES

8. Share certificates shall be in such form as the Board may from time to time by resolution approve.

9. Every shareholder shall be entitled, without payment, to a certificate specifying the number of shares held by him and the amount paid up thereon. If any shareholder shall require certificates in addition to one certificate, he shall pay for each additional certificate such sum as the Board may determine.

10. If any certificate be worn out, lost, stolen, defaced or destroyed, it may be renewed upon the person requiring a new certificate surrendering the worn out certificate, or giving such evidence of the loss, theft, defacement or destruction and such bond of indemnity to the Company as the Board may require.

11. Share certificates, interim and definitive:

- (a) need not be under or bear the seal of the Company.
- (b) shall be signed by the President, a Vice-President or a director and by the Secretary or an Assistant Secretary, if any, holding office at the time of signing.
- (c) so signed shall be valid and binding on the Company notwithstanding:
  - (i) any change in the persons holding said offices between the time of actual signing and the issuance of the certificate, and
  - (ii) that the President or Vice-President or such director or Secretary or Assistant Secretary may not have held office at the date of the issuance of the certificate.

12. The signature of the President, Vice-President, director and of the Secretary or Assistant Secretary may be printed, engraved or otherwise mechanically reproduced on the share certificates and such printed, engraved or

otherwise mechanically reproduced signature shall for all purposes be deemed to be the signature of the President, of such Vice-President, of such director and of such Secretary or Assistant Secretary.

13. A certificate for shares shall be prima facie evidence of the title of the shareholder to the shares therein designated.

14. Where the capital stock of the Company consists of more than one class of shares, a statement of the rights and conditions, limitations or restrictions, whether created by the letters patent or supplementary letters patent or by by-law, shall be set out in, or endorsed on, the certificate for shares issued for each class.

15. In respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and the delivery of the certificate to one of several joint holders shall be sufficient delivery to all.

#### JOINT HOLDERS OF SHARES

16. Where two or more persons are registered as holders of any shares of the Company:

- (a) they shall be deemed to hold the same jointly and shall be liable severally as well as jointly in respect of all payments required to be made in respect of such share.
- (b) any one of such joint holders may give effectual receipts for any dividend or return of capital payable to such joint holders.
- (c) only the person whose name stands first in the register of shareholders, as one of such joint holders, shall be entitled to receive notices from the Company and any such notice given to such person shall be deemed notice to all the joint holders.
- (d) any one of such persons may vote at any meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto.
- (e) if more than one of such joint holders be present at any meeting personally or by proxy that one of the said persons so present whose name stands first in the books of the Company or before the other or others in the books of the Company in respect of such share shall alone be entitled to vote in respect thereof, and
- (f) as executors or administrators of a deceased shareholder, they shall, for the purposes of sub clauses (c), (d) and (e) hereof, be deemed joint holders thereof.

#### CALLS AND INSTALLMENTS ON SHARES

17. The Board may by resolution from time to time make such calls as it deems fit upon the shareholders in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times, and each shareholder shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board.

18. A call:

- (a) may be made payable by installments,
- (b) shall be deemed to have been made at the time when the resolution of the Board authorizing such call was passed.

19. Ten (10) days' notice, at least, of any call shall be given specifying the time and place of payment, and to whom such call shall be paid. Before the time for payment the Board may, by notice in writing to the shareholders, revoke the call or extend the time for payment thereof.



20. If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holder for the time being of the shares in respect of which the call shall have been made, or the installment shall be due, shall be liable to pay interest on such call at the rate of six per centum (6%) per annum from the day appointed for the payment thereof to the time of the actual payment.

21. If by the terms of the issue of any shares or otherwise any amount is made payable at any fixed time or by installments at any fixed time, such amount or installment shall be payable, as if it was a call duly made by the Board, of which due notice has been given; and all provisions hereof with respect to the payment of calls and interest thereon, or to the forfeiture of shares for non-payment of calls, shall apply to such amounts or installments and the shares in respect of which they are payable.

22. The Board may, in its discretion, receive from any shareholder willing to advance the same, all or any part of the moneys due upon the shares held by him, beyond the sums actually called for, and upon the moneys so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances have been made, the Company may pay interest at such rate not exceeding six per centum (6%) per annum as the shareholder paying such sum in advance and the Company agree upon. No amount paid on a share in advance of calls shall be treated as paid on any share.

23. No shareholder shall be entitled to receive any dividend or to participate in any distribution whether of capital or otherwise while any calls together with interest and expenses, if any, for the time being due and payable on every share held by him, whether alone or jointly with any other person, remain unpaid.

### FORFEITURE OF SHARES

24. If any shareholder fails to pay any call or installment on the day appointed for payment thereof, the Board may at any time thereafter, during such time as the call or installment remains unpaid, serve a notice on him demanding that he pay such call or installment, together with interest accrued and any expenses incurred by reason of such non-payment.

25. The notice shall name a further date on or before which such call or installment, and all interest accrued and expenses incurred by reason of such non-payment are to be paid, and it shall also name the place where payment is to be made. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is due will be liable to forfeiture.

26. If the requisitions of any such notice, as aforesaid, be not complied with, any shares in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof have been made, be declared forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

27. Any shares so forfeited shall thereupon become the property of the Company, and it may sell, re-allot or otherwise dispose of the same in such manner as the Board may think fit. At any time before a sale or disposition of the shares the forfeiture may be cancelled on such terms as the Board may see fit.

28. Any shareholder whose shares have been forfeited shall, notwithstanding such forfeiture, continue to be liable to pay to the Company and to its creditors all calls and installments, interest and expenses owing upon such

shares at the time of forfeiture, together with interest thereon from the time of forfeiture at a rate not exceeding six per centum (6%) per annum, less any sums which may have been subsequently received by the Company in respect thereof.

29. The forfeiture of a share shall involve the extinction at the time of forfeiture of all interests in and claims and demands against the Company in respect of the share and all other rights and liabilities incidental to the share, as between the shareholder whose share is forfeited and the Company, except only such of those rights and liabilities as are by these by-laws or by the statutes expressly saved.

30. A statutory declaration in writing that the declarant is a director of the Company and that a share has been duly forfeited in pursuance of this by-law and stating the time when it was forfeited, shall, as against all persons claiming to be entitled to the share adversely to the forfeiture thereof, be conclusive of the facts therein stated, and such declaration together with a certificate of proprietorship of the share, delivered to a purchaser or allottee thereof, shall constitute a good title to the share, and the then holder thereof shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any fact, omission or irregularity relating to, or connected with the proceedings in reference to the forfeiture, sale, reallocation or disposal of the share.

31. When any shares have been forfeited, an entry shall forthwith be made in the register and other books of the Company relative thereto recording the forfeiture and the date thereof and as soon as the shares so forfeited have been disposed of, an entry shall also be made of the manner and date of the disposal thereof.

32. Notwithstanding anything hereinbefore contained, the Board may if deemed fit, instead of forfeiting any share or shares, enforce payment of all calls and installments, interest and expenses thereon by action in any court of competent jurisdiction.

### TRANSFER AND TRANSMISSION OF SHARES

33. Shares may be transferred in any recognized form of transfer which form of transfer may be endorsed on the certificate for shares, but no transfer of shares whereof the whole amount has not been paid, shall be recorded in the register or any branch register of the Company, and in any case, and subject to and saving and excepting as in the statutes provided, the transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof.

34. Every certificate for shares which are to be transferred, together with such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares, shall for the purposes of registration be left at the office of the registrar or the transfer agent of the Company, and subject to the provisions of the Statutes, no transfer of shares shall be valid until entry thereof has been made in the register of transfers or branch register of transfers.

35. All certificates the shares in respect of which are transferred and all instruments of transfer shall be retained by the Company, but any certificate and instrument of transfer of the shares represented therein which the Board may decline to transfer shall on demand be returned to the person depositing the same.

36. All transfers of shares shall be signed by the transferor or his duly approved attorney or his duly authorized representatives or by the executors, administrators or representatives of a deceased shareholder.



37. All transmissions of shares shall be carried into effect and be dealt with in accordance with the Statutes.

38. The guardians of an infant shareholder and the administrator or administrators of a lunatic shareholder may, upon producing to the Board evidence of their position as may be required by the Board, be placed upon the register in respect of the shares held by such infant or lunatic shareholder, as the case may be.

#### REGISTER OF TRANSFERS KEEPING AND CLOSING THEREOF

39. (a) A register of transfers shall be kept in Canada in such form as the Board may approve, in which shall be recorded particulars of every transfer of shares in the capital stock of the Company entered on such register.
- (b) One or more branch registers of transfers may be kept at such place or places within Canada or elsewhere as may from time to time be appointed by resolution of the Board.
- (c) A book shall be kept at the place within Canada where the register of transfers is kept, in which shall be recorded a copy of particulars of every transfer entered on every branch register of transfers.
- (d) The Board may appoint one or more persons, companies or banks as the transfer agent or agents and/or registrar or registrars for shares in the capital stock of the Company.
- (e) Entry of the transfer of any share in the register or a branch register, whether kept at the head office of the Company or elsewhere, shall for all purposes constitute a complete and valid transfer.
- (f) In each branch register shall be recorded particulars of every transfer of shares in the capital of the Company entered in such branch register.
- (g) The Board may close the register and the branch register or registers (if any) at any time or times preceding the date of any meeting of the shareholders or the date of payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of shares shall go into effect, on giving notice by advertisement in some newspaper published in the place within Canada where the register is kept and in some newspaper or newspapers published in the place or respective places where the branch register or branch registers are kept provided that such register or registers may not be so closed in the whole more than thirty (30) days in any one year.
- (h) The Board may fix in advance a date, not exceeding thirty (30) days preceding the date of any meeting of shareholders or the date for the payment of any dividend, or the date for the allotment of rights or the date when any change or conversion or exchange of shares shall go into effect, as the record date for the determination of the shareholders entitled to notice of, and to vote at, any such meeting, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of shares, and in such case only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Company after any such record date fixed as aforesaid.



## BORROWING

40. (1) The Board may, and it is hereby authorized from time to time to:
- (a) borrow money upon the credit of the Company.
  - (b) limit or increase the amount to be borrowed.
  - (c) issue bonds, debentures, debenture stock or other securities of the Company.
  - (d) pledge or sell such bonds, debentures, debenture stock or other securities for such sums and at such prices as may be deemed expedient.
  - (e) mortgage, hypothecate, charge or pledge all or any of the real and personal property, undertaking and rights of the Company, to secure any such bonds, debentures, debenture stock or other securities, or any money borrowed or any other liability of the Company.

(2) The Board may, from time to time by resolution, delegate to the President and Secretary or to any two officers of the Company, including the President or Secretary, all or any of the powers conferred on the Board by sub clause (1) to the full extent thereof or such lesser extent as the Board may in any such resolution provide.

(3) The powers hereby conferred shall be deemed to be in supplement of, and not in substitution for, any powers to borrow money for the purpose of the Company possessed by its Board or officers independently of a borrowing by-law.

## SHAREHOLDERS' MEETINGS

## Annual Meeting

41. Annual meetings shall be held once in each calendar year and not more than fifteen (15) months after the holding of the last preceding annual meeting and either at the head office or elsewhere in Canada on such day of each calendar year as the Board may by resolution determine.

42. (1) The business of the annual meeting shall be:

(a) to receive and consider:

- i. the reports of the Board, if any.
- ii. the auditors' reports.
- iii. the Company's balance sheet and financial statement and
- iv. any other information respecting the Company's position as required by the Statutes.
- v. the election of the Board.
- vi. to appoint an auditor or auditors; and
- vii. to consider and, if deemed advisable, to confirm any enactment, repeal, amendment or re-enactment by the Board of the Company's by-laws which, under the provisions of the Statutes, would cease to be effective in default of confirmation by the meeting.

(2) The members of the Board elected, and auditors appointed, as provided in sub-clause (1), shall be entitled to hold such office or appointment until the next annual meeting or until their successors are elected or appointed.

## Special Meetings

## 43. (1) The Board:

- (a) may whenever it thinks fit, and
- (b) shall, upon the requisition of the holders (at the date of the deposit of the requisition) of one-tenth of the issued shares of the Company of the class or classes that, at the said date, carry the right of voting at the meeting to be called, forthwith

proceed to call a special meeting.

## (2) Any special meeting called in pursuance of a requisition shall:

- (a) be convened and held in accordance with the provisions of the Statutes, and
- (b) unless the same shall have been called by the Board transact no business other than that stated in the requisition as the objects of the meeting.

## Notice

44. At least seven (7) days (exclusive of the day of sending or personal service, as the case may be, but inclusive of the day for which notice is given) before the date of every meeting a written, printed or otherwise mechanically reproduced notice stating

- (a) the day, hour and place of the meeting, and
- (b) the general nature of the business to be transacted,

shall be given to each shareholder entitled to such notice and to vote at such meeting, by the said notice being either

(i) delivered personally or

- (ii) sent by mail or other means of written communication in a wrapper or envelope, charges prepaid, directed to such address as appears on the books of the Company or is given by the shareholder to the Company for the purpose of notice or, if no address be given, then to the last address of such shareholder known to the Secretary or, if no address be known, notice shall be deemed to have been given the shareholder if sent by mail or other means of written communication addressed to the place where the head office of the Company is situated;

provided always that a meeting of shareholders may be held for any purpose at any time (except as mentioned in clause 41 of this by-law) without notice

- (1) if all the shareholders entitled to notice of such meeting are present in person, or represented thereat by proxy, or if a quorum be present in person or represented as aforesaid, and
- (2) if either before or after the meeting, each of the shareholders entitled to vote, not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof.

45. Notice of any meeting or an irregularity in any meeting or in the notice thereof may be waived by any shareholder or the duly authorized proxy or representative of any shareholder.

46. No public advertisement or notice of shareholders' meetings, annual or special, shall be required.

47. The accidental omission to give notice of any meeting, or the non-receipt of any notice by any shareholders or shareholder, shall not invalidate any resolution passed or any proceedings taken at any meeting.

#### Quorum

48. Two persons personally present and entitled to vote thereat shall be a quorum of any general meeting for the choice of a chairman and the adjournment of the meeting.

49. For all other purposes a quorum of any general meeting (unless a greater number of shareholders and/or a greater number of shares are required by the statutes or by the Special Act or any other by-law of the Company to be present and/or represented) shall be persons personally present and entitled to vote thereat not being less than two in number and holding or representing by proxy not less than twenty-five (25%) per centum of the issued shares of the Company for the time being enjoying voting rights at such meeting.

50. No business shall be transacted at any general meeting unless the quorum requisite be present at the commencement of the business.

51. If fifteen (15) minutes after the time appointed for the holding of a general meeting a quorum be not present the meeting,

(a) if convened upon a requisition of shareholders, shall be dissolved, and

(b) in any other case, shall stand adjourned to the same day in the next week at the same time and place;

and, if at such adjourned meeting a quorum be not present, those shareholders who are present and entitled to vote thereat shall be deemed to be a quorum and may transact all business which a full quorum might have done. No notice of any such adjournment need be given to the shareholders.

#### Chairman

52. The President shall preside as chairman at every general meeting and in his absence a Vice-President and if neither of these be present, or if they be not present within fifteen (15) minutes after the time appointed for the holding of the meeting, the shareholders present or represented and entitled to vote thereat shall choose

(a) one of the Board, or

(b) if no member of the Board shall be present and willing to take the chair, one of their number

to be chairman.

#### Adjournment

53. The chairman may with the consent of any general meeting adjourn the same from time to time and place to place.

54. No notice of any such adjournment need be given to the shareholders.

55. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.



## Votes

56. Votes at general meetings may be given personally or by proxy.

57. Every question submitted to any general meeting shall be decided by a majority of votes taken on a show of hands except

- (a) as may in special instances be required by the statutes or the by-laws, or
- (b) when, before or upon the declaration of the result of the show of hands, a poll is demanded by at least two shareholders present either personally or by proxy and entitled to vote.

58. In the case of an equality of votes at any general meeting, whether upon a show of hands or at a poll, the chairman shall be entitled to a second or casting vote.

59. A declaration by the chairman that a resolution has, either on a show of hands or on a poll, been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive and an entry to that effect in the books of proceedings of the Company shall be conclusive evidence thereof, and proof of the number or proportion of the votes recorded in favour of or against such resolution shall not be necessary.

60. In case of any dispute as to the admission or rejection of any vote, either on a show of hands or on a poll, the chairman shall determine the same and such determination made in good faith shall be final and conclusive.

61. If a poll be demanded

- (a) in respect to the appointment of a chairman or on the question of adjournment, it shall be taken forthwith without adjournment,
- (b) on any other question, it shall be taken in such manner and either at once or after adjournment at such time and place as the chairman may direct,
- (c) any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll,
- (d) such demand may be withdrawn,
- (e) the result of the poll shall be deemed to be the resolution of the meeting at which the demand was made.

62. Subject to any restrictions imposed on any particular shares, whether created by the Special Act or by-laws, at every general meeting:

- (a) upon a show of hands every shareholder present in person and entitled to vote shall, save as to the casting vote of the chairman, have one vote only.
- (b) upon a poll every shareholder present in person or by proxy and entitled to vote shall, save as to the casting vote of the chairman, have one vote for every share held by him.
- (c) where a corporation being a shareholder is present by proxy or by a person duly appointed who is not a shareholder, such proxy or person shall in addition to voting on a show of hands be entitled to vote for such corporation on a poll.
- (d) shares registered in the name of two or more persons may be represented and voted as provided in clause 16 of this by-law.

- (e) if any shareholder entitled to vote be a mental incompetent he may vote by his legal representative who may give such vote either personally or by proxy.

63. No shareholder shall be entitled to be present or to vote on any question either personally or by proxy, or as proxy for another shareholder, at any general meeting, or upon a poll, or to be reckoned as a quorum whilst any call shall be due and payable to the Company in respect of any shares held by such shareholder in the Company.

64. The instrument appointing a proxy shall be

- (a) in writing.
- (b) under the hand of the appointor or his attorney duly authorized in writing.
- (c) where the appointor is a corporation, either under its corporate seal or under the hand of an officer or attorney duly authorized.

65. Save as provided in the statutes, no person shall be appointed a proxy who is not a shareholder and entitled to vote, provided always that a corporation being a shareholder entitled to vote may appoint any person to be its proxy and the person so appointed may attend and vote at any general meeting at which the appointor is entitled to vote.

66. The instrument appointing a proxy, and the power of attorney (if any) under which it is signed, shall (subject to the provisions of clause 67 hereof) be deposited at the head office or at any other place appointed by the Board for that purpose, not less than twenty-four (24) hours before the time fixed for holding the meeting at which the person named in such instrument is authorized to vote.

67. The Board may from time to time make regulations:

- (a) regarding the lodging of instruments appointing a proxy at some place or places other than the place at which a general meeting or adjourned meeting is to be held and for particulars of such instruments to be sent by any form of transmitted or recorded message to the Company or any agent of the Company for the purpose of receiving such particulars before the meeting or adjourned meeting, and
- (b) that any instrument appointing a proxy so lodged may be voted upon as though the instruments themselves had been filed with the Secretary

and votes given in accordance with such regulations shall be valid and shall be counted.

68. Pending the making of such regulations, the chairman of the general meeting shall accept a telegraphic or other form of transmitted or recorded communication as to the authority of anyone claiming to vote on behalf of and to represent a shareholder, subject to that shareholders written ratification within 30 days, notwithstanding that no instrument of proxy conferring such authority has been lodged with the company, and any votes given in accordance with such telegraphic or other form of transmitted or recorded communication shall be valid and shall be counted.

69. An instrument appointing a proxy shall be in the following form or in any other form of which the Board shall approve:

"I \_\_\_\_\_ of \_\_\_\_\_  
 a shareholder of \_\_\_\_\_, hereby  
 appoint \_\_\_\_\_ of \_\_\_\_\_ or  
 failing him \_\_\_\_\_ of \_\_\_\_\_  
 as my proxy to vote or otherwise act for me and on my behalf at the  
 meeting of the shareholders of the  
 Company to be held on the \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_,  
 and at any adjournment thereof.  
 DATED this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_.

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Signature of Shareholder"

70. A vote given in accordance with the terms of or pursuant to an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the shares in respect of which the vote is given, provided no intimation in writing of the death, revocation or transfer shall have been received at the head office one hour at least before the time fixed for holding the meeting.

#### Scrutineers

71. At any general meeting one or more scrutineers may be appointed by a resolution of the meeting, or by the Chairman with the consent of the meeting, to serve at that meeting. Such scrutineers need not be shareholders of the Company.

#### DIRECTORS

##### Number and Quorum

72. The affairs of the Company shall be managed by a Board of Five (5) directors of whom Two (2) shall constitute a quorum.

##### Qualification

73. The qualification of a director shall be the holding at the time of his election or appointment and throughout his term of office of at least one fully paid up and non-assessable common share in the capital stock of the Company, provided, however, that any person who is an officer or director of any other company which is a common shareholder of the Company may hold office as a director of the Company without further qualification.

##### Term and Vacation of Office

74. The directors shall hold office from the date of the meeting, save as hereinafter provided, at which they are elected or appointed until the annual meeting next following or until their successors are elected or appointed.



75. The shareholders present in person or voting by proxy at a special general meeting called for the purpose may at any time and from time to time by affirmative vote remove any Director or Directors before the expiration of his or their period of office and elect or appoint another qualified person or persons in his or their stead to fill the vacancy or vacancies caused by such removal.

76. Election of directors shall not be by ballot unless demanded.

77. The whole Board shall be elected at each annual meeting and retiring directors shall be eligible for re-election if otherwise qualified.

78. A retiring director shall retain office until the dissolution or adjournment of the meeting at which his successor is elected.

79. The office of a director shall ipso facto be vacated if he—

(a) becomes bankrupt or suspends payment or compounds with his creditors or makes an authorized assignment or is declared insolvent;

(b) is found to be mentally incompetent or becomes of unsound mind;

(c) ceases to be qualified as provided in clause 73 hereof; or

(d) by notice in writing to the Company resigns his office of director.

80. So long as a quorum of directors remains in office, any vacancies from time to time occurring in the Board may be filled by the Board.

81. A person appointed by such directors as remain in office to fill a vacancy in the Board shall hold office for the balance of the unexpired term of the vacating director.

#### Meetings of Directors

82. Meetings of the Board may be held:

(a) either at the head office or elsewhere as the Board may from time to time determine,

(b) at any time without formal notice being given if:

(i) all the directors are present, or

(ii) a quorum is present and those directors who are absent have signified their consent in writing, or by telegraph or by any other form of transmitted or recorded message, to the holding of a meeting in their absence, and any resolution passed, or proceeding had, or action taken at such meeting shall be as valid and effectual as if it had been passed at or taken at a meeting duly called and constituted.

83. A meeting of the Board:

(a) may be convened by the President or a Vice-President or any two directors at any time, and

(b) shall be convened by the Secretary by direction of the President or a Vice-President or any two directors,

and notice of such meeting shall be delivered or mailed or telegraphed or sent by any other form of transmitted or recorded message to each director not less than two days (exclusive of the day on which the notice is delivered or mailed or telegraphed or sent, but inclusive of the day for which notice is given) before the meeting is to take place.

84. Notice of any meeting or any irregularity in any meeting or notice thereof may be waived by any directors.

85. For the first meeting of the Board held immediately after the election of directors at a general meeting no formal notice of such meeting of the Board shall be necessary provided that a quorum of directors be present.

86. In the case of a director elected or appointed to fill a vacancy on the Board, no notice of such meeting shall be necessary to the newly elected or appointed director or directors in order legally to constitute the meeting, provided a quorum of directors be present.

87. Any director who may be either temporarily or permanently resident out of, or absent from, the Province of Alberta may file with the Secretary a written waiver of notice of any meeting of the Board being sent to him and may at any time withdraw such waiver and, until such waiver shall be withdrawn, no notice of meetings of the Board shall be sent to such director and any and all meetings of the Board, notice of which shall not have been given to such director, shall (providing a quorum of the Board be present) be valid and binding upon the Company.

88. The Board may by resolution appoint a day or days in any month or months for regular meetings at a place and hour therein named. A copy of such resolution shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

89. Questions arising at any meeting of the Board shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting, in addition to his ordinary vote, shall have a second or casting vote.

90. A resolution signed by all the directors shall be as valid and effectual as if it had been passed at a duly called and constituted meeting of the Board and shall be read as a minute at the next meeting of the Board subsequent to the date when the resolution was signed and shall be entered in the minute book of the Company accordingly.

#### Powers of Directors

91. In addition to the powers and authorities conferred on it by the Statutes:

- (a) the business and affairs of the Company shall be managed by the Board which may conduct the same as may be necessary and as it deems advisable, and
- (b) the Board may exercise all such powers of the Company and do on behalf of the Company all such acts and things as may be exercised and done by the Company and as are not by the Statutes or the by-laws required to be exercised or done by the Company in general meeting;

subject, nevertheless, to any regulations contained in the by-laws or to the provisions of the Statutes and to such regulations being not inconsistent with the by-laws or with such provisions as may be prescribed by the Company in general meeting and provided that no such regulations shall invalidate any prior act of the Board which would have been valid if such regulations had not been made.

92. No director shall be disqualified by reason of his office of director from contracting with the Company either as vendor, purchaser or otherwise nor shall—

- (a) any such contract, nor any contract or arrangement entered into by or on behalf of the Company in which any directors shall be in any way interested, be avoided;
- (b) any director so contracting or being interested be liable to account to the Company for any profit realized from any such contract or arrangement by reason of such director holding that office or the fiduciary relation thereby established;

but the nature of the director's interest must be disclosed by him at the meeting of the Board at which the contract or arrangement is determined on if his interest then exists or, in any other case, at the first meeting of the Board after the acquisition of his interest.

93. A general notice that a director is a member of any specified partnership, company or corporation and is to be regarded as interested in any subsequent transaction of the Company with such partnership, company or corporation shall be sufficient disclosure under the next preceding clause 92, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction of the Company with such partnership, company or corporation.

94. A director shall not vote in respect of any contract or arrangement or any proposed contract or arrangement in which he is so interested and if he does so vote his vote shall not be counted, provided such voting prohibition shall not apply in the case of any contract or arrangement:

- (a) by or on behalf of the Company to give to the members of the Board, or any of them, security for advances or by way of indemnity, or
- (b) between the Company and any other company where the interest of the director in such last mentioned company consists solely in his being a director or officer thereof and the holder of not more than the number of shares therein requisite to qualify him as a director.

95. A director of the company may be or become a shareholder or a director of any other company in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such director shall be accountable to the Company for any benefits received as shareholder or director of such other company.

96. Any director may hold any other office, whether of profit or otherwise, under the Company in conjunction with his office as director and on such terms as to remuneration or otherwise as the Board may arrange, and any director may act for himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a director.

97. A director of the Company may accept office as director of any other company promoted by or in which the Company is interested and may subscribe for, guarantee the subscription of, or otherwise acquire, shares in any such other company and shall be in no wise accountable for any profits, dividends or benefits so obtained.



98. No act or proceeding of any director or the Board shall be deemed invalid or ineffective by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding or the qualification of such director.

### REMUNERATION OF DIRECTORS

99. The remuneration to be paid to the directors shall be such as the Board shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer of the Company who is also a member of the Board. The Board may also by resolution award special remuneration to any director undertaking any special service on the Company's behalf other than the routine work ordinarily required of a director by the Company and confirmation of any such resolution or resolutions by the shareholders shall not be required. The director shall also be entitled to be paid either an allowance for, or the amounts of, their travelling and other expenses properly incurred by them in connection with the affairs of the Company.

### PROTECTION AND INDEMNITY OF DIRECTORS

100. The Company hereby consents that each and every director of the Company shall be deemed to have assumed office on the express understanding and agreement and condition that every director of the Company and his executors and administrators and estate and effects, respectively, shall from time to time and at all times be indemnified and saved harmless out of the funds of the Company from and against all costs, charges and expenses whatsoever which such director sustains or incurs in or about any action, suit or proceeding which is brought, commenced or prosecuted against him or them for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him or them in or about the execution of the duties of his or their office or offices, and also from and against all other costs, charges and expenses which he or they may sustain or incur in or about or in relation to the affairs thereof except such costs, charges or expenses as are occasioned by his or their own wilful neglect or default.

### INDEMNITIES TO DIRECTORS

101. The Board is hereby authorized from time to time to cause the Company to give indemnities to any director or other person who has undertaken or is about to undertake any liability on behalf of the Company or any company controlled by it and to secure such director or other person against loss by mortgage and charge upon the whole or any part of the real and personal property of the Company by way of security any action from time to time taken by the directors under this clause shall not require approval or confirmation by the shareholders.

102. No director for the time being of the Company shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Board for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Company shall be placed out or invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm, or corporation with whom or which any

moneys, securities or effects shall be lodged or deposited or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his own wilful act or default.

103. The directors may rely upon the accuracy of any statement or report prepared by the Company's auditors and shall not be responsible or held liable for any loss or damage resulting from the paying of dividends or otherwise acting upon such statement or report.

#### SUBMISSION OF CONTRACTS ETC. FOR APPROVAL

104. Any contract, act or transaction may in the discretion of the Board be submitted for approval or ratification to an annual meeting or to any special meeting called for the purpose of considering the same and any contract, act or transaction that shall be approved or ratified by a resolution passed by a majority of the votes cast at any such meeting (unless any different or additional requirement is imposed by the Statutes or by the Special Act or any other by-law) shall be as valid and as binding upon the Company and upon all the shareholders as though it had been approved or ratified by every shareholder of the Company.

#### EXECUTIVE COMMITTEE

105. Whenever the number of directors constituting the Board shall consist of more than six (6), the Board may appoint not less than three (3) of its number to constitute an executive committee, of whom a majority shall constitute a quorum, and who may meet at stated times or on notice to all or any of their own number; the members of such committee shall advise with and aid the officers and directors of the company in all matters concerning its interest and in the management of its business and affairs and generally perform such duties and exercise such powers as may be directed or delegated from time to time to such committee by the Board. The Board may, by resolution delegate to such committee authority to exercise such of its powers, while the Board is not in session, as the Board may designate. Unless and until the Board otherwise determines by resolution, the President and any two directors appointed by the Board shall constitute the executive committee of the Company and shall be and are hereby vested with authority to exercise all the powers of the Board while the Board is not in session, except such powers as by law are required to be exercised by the Board.

106. The executive committee may act by the written consent of a quorum thereof, although not formally convened, and shall keep minutes of its proceedings and report the same to the Board at the next meeting of the Board.

#### OFFICERS

##### General

107. The officers of the Company shall be a President, a Secretary and, if deemed advisable, one or more Vice-Presidents, a General Manager or Managing Director, a Treasurer, an Assistant Secretary and/or an Assistant Treasurer and such other officers as the Board may from time to time by resolution determine.

108. None of the officers except the President or one Vice-President or Managing Director need be a member of the Board.

109. Any two or more of the aforesaid offices may be held by the same person except those of President and Vice-President.

110. In case and whenever the same person holds the office of Secretary and Treasurer he may, but need not, be known as the Secretary-Treasurer.

### ELECTED OFFICERS

111. The Board, at its first meeting after its election, shall elect from its own number a President and, if it shall see fit, a Vice-President. In default of such election the then incumbents, if members of the Board, shall hold office until their successors are elected. Vacancies occurring from time to time in such offices may be filled by the Board from among its members.

### Appointed Officers

112. The Board from time to time shall also appoint a Secretary and may appoint one or more additional Vice-Presidents, a General Manager or Managing Director, a Treasurer and such other officers as the Board may determine including one or more assistants to any of the officers so appointed. The officers so appointed may, but need not, be members of the Board.

### Remuneration and Removal of Officers

113. The Board may fix the remuneration to be paid to officers, servants and employees of the Company and shall fix the remuneration of all officers elected or appointed by the Board.

114. Any officer, agent, servant or employee of the Company may receive such remuneration as may be determined notwithstanding the fact that he is a director or shareholder of the Company.

115. All officers, in the absence of a written agreement to the contrary, shall be subject to removal by resolution of the Board at any time, with or without cause.

### Delegation by Officers

116. In case of the absence or inability to act of the President, a Vice-President or any other officer of the Company, or for any other reason that the Board may deem sufficient, the Board may delegate all or any of the powers of such officer to any other officer or to any director for the time being.

### President

117. The President shall:

- (a) be the chief executive officer of the Company,
- (b) if present, preside at all general meetings,
- (c) in the absence of, or in case of there being no Chairman of the Board, if present, preside at meetings of the Board,
- (d) sign all instruments which require his signature,
- (e) have general superintendence and direction of all other officers of the Company,



- (f) submit to the annual meeting the annual report of the Board, if any, and the annual balance sheets and financial statements of the business and affairs, and reports on the financial position, of the Company.
- (g) from time to time report to the Board all matters within his knowledge which the interests of the Company require to be brought to the Board's notice,
- (h) be ex-officio a member of all standing committees,
- (i) have such other powers and duties as may from time to time be assigned to him by the Board,
- (j) perform all duties incident to his office.

#### Vice-President

118. The Vice-President, or, if more than one, the Vice-Presidents in order of seniority shall:

- (a) be vested with all powers and shall perform all the duties of the President in the absence or disability or refusal to act of the President, and
- (b) also have such other powers and duties, if any, as may from time to time be assigned to him, or them, by the Board.

#### Secretary

119. The Secretary shall:

- (a) issue or cause to be issued notices for all meetings of the Board, the shareholders and executive committee (if any) when directed so to do,
- (b) have charge of the minute books of the Company,
- (c) sign with the President or other signing officer or officers of the Company such instruments as require his signature, and
- (d) perform such other duties as the terms of his appointment call for or the Board may from time to time properly require of him.

#### Treasurer

120. The Treasurer shall:

- (a) have the care and custody of all the funds and securities of the Company,
- (b) deposit the same in the name of the Company in such bank or banks or with such depositary or depositaries as the Board may direct,
- (c) at all reasonable times exhibit his books and accounts to any director of the Company upon application at the office of the Company during business hours,
- (d) sign or countersign such instruments as require his signature, and
- (e) perform all duties incident to his office or that are properly required of him by the Board.

121. The Treasurer may be required to give such bond for the faithful performance of his duties as the Board in its uncontrolled discretion may require and no director shall be liable for failure to require any bond or for the insufficiency of any bond or for any loss by reason of the failure of the Company to receive any indemnity thereby provided.

## STANDING COMMITTEE

## Assistant Secretary and Assistant Treasurer

122. The Assistant Secretary (if any) and the Assistant Treasurer (if any) or, if more than one, the Assistant Secretaries and the Assistant Treasurers shall respectively perform all the duties of the Secretary and Treasurer, respectively, in the absence of the Secretary or Treasurer as the case may be.

123. Any Assistant Secretary and any Assistant Treasurer shall also have such powers and duties as may from time to time be assigned to them by the Board.

## General Manager or Managing Director

124. The General Manager, if one be appointed, shall:

(a) have full authority, subject to the authority of the Board and the supervision of the President:

(i) to manage and direct the business and affairs of the Company (except such matters as by law must be transacted or performed by the Board or by the shareholders in general meeting), and

(ii) to employ and discharge agents and employees of the Company,

provided that the Board may delegate to him any less power;

(b) conform to all lawful orders given to him by the Board; and

(c) at all reasonable times give to the directors or any of them, all information they may require regarding the affairs of the Company.

125. If and so long as the General Manager is a director, he may if the Board so decides, but need not, be known as Managing Director.

## Chairman of the Board

126. The Board may elect one of its number to be Chairman of the Board who may preside at any or all meetings of the Board and who may also hold the office of President or Vice-President.

## Vacancies

127. If the office of President, Vice-President, or other office shall be or become vacant, the Board, by resolution duly passed at any meeting duly called and held, may elect or appoint an officer or any person qualified to fill such vacancy or vacancies.

## ATTORNEYS OR AGENTS

128. The Board may at any time and from time to time appoint any person or persons to be the attorney or agent or attorneys or agents of the Company for such purposes and with such powers, authorities and discretions (Not exceeding those vested in or exercisable by the Board under the by-laws) and for such period and subject to such conditions as the Board may from time to time think fit.

129. Any attorney or agent may be authorized by the Board to delegate all or any of the powers, authorities and discretions for the time being vested in him subject to the Board's confirmation.

## TRUSTEES

130. The Board may appoint a trust company or any two or more responsible persons to be a trustee or trustees for the Company for any purpose for which it is deemed advisable to have the intervention of a trustee or trustees and, in particular, the whole or any part of the property of the Company may be vested in such trustee or trustees either for the benefit of the shareholders, or to secure to the creditors or obligees of the Company the payment of any money, or for securing any debentures or debenture stock of the Company, or for the payment or performance of any obligations which the Company ought to pay or perform, subject as in any deed of trust or trust instrument provided. The Board may at any time fill any vacancy in the office of trustee.

## BOOKS OF THE COMPANY

131. The Secretary or the Assistant Secretary or Assistant Secretaries shall keep or cause to be kept a book or books wherein shall be recorded:

- (a) the names, alphabetically arranged, of all persons who are or have been shareholders;
- (b) the address and calling of every such person, while such is a shareholder;
- (c) the number of shares of each class held by each shareholder;
- (d) the amounts paid in, and remaining unpaid, respectively, on the shares of each shareholder;
- (e) all transfers of shares in their order as presented to the Company for entry, with the date and other particulars of transfer, and the date of the entry thereof; and
- (f) the names, addresses and callings of all persons who are or have been directors of the Company, with the several dates at which each became or ceased to be such director;

provided always that the matters referred to in sub-clause (a), (b), (c) and (d) hereof may, if permitted by the Statutes, be kept in books maintained by any transfer agent or agents appointed by the Board.

## INSPECTION OF BOOKS AND ACCOUNTS

132. The books, accounts and records of the Company shall be open to inspection by any member of the Board at all times. Except as otherwise provided by the Statutes, shareholders may not inspect the books of the Company except at such times and places as the Board may by resolution determine.

133. No shareholder shall be entitled to discovery of any information respecting any details or conduct of the Company's business which in the opinion of the Board it will be inexpedient in the interests of the shareholders of the Company to communicate to the public.

## ACCOUNTS AND AUDIT

134. The Board shall cause to be kept proper books of account and shall, at each annual general meeting, submit to the shareholders an audited balance sheet made up to a date not more than four (4) months before such annual meeting, together with the report of the auditor or auditors and such other accounts and information as are required by the Statutes.



## FISCAL YEAR

135. Unless otherwise ordered by the Board the fiscal year of the Company shall terminate on the 31st of December in each year.

## DIVIDENDS

136. Subject to the rights of the holders of any shares entitled to any priority, preference or privilege, the Board may, from time to time by resolution, declare dividends and pay the same out of the funds of the Company available for that purpose.

137. The resolution of the Board declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of the Company, or of any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution it may settle the same as it deems expedient, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that such payments shall be made to any Shareholders of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trust for the persons entitled to the dividends as may seem expedient to the Board.

138. Interest may be paid out of capital where by virtue of the Statutes it is lawful to do so, but, except as permitted by the Statutes, no dividend shall be declared when the Company is insolvent or that will render the Company insolvent or that will impair the capital of the Company.

139. The Board shall deduct from the dividends payable to any shareholder all sums of money as may be due from him to the Company, on account of calls or otherwise.

140. The Company may transmit any dividend, or bonus, payable in respect of any share by cheque or warrant through the ordinary post to the registered address of the holder of such share (unless he shall have given written instructions to the contrary), and shall not be responsible for any loss arising therefrom. Every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

141. No dividend shall bear interest as against the Company.

142. All dividends unclaimed for one (1) year after having been declared may be vested in or otherwise made use of by the Board for the benefit of the Company.

## RESERVES

143. The Board may:

- (a) from time to time set aside such sums as it deems fit as a reserve fund or funds to meet contingencies for:
  - (i) equalizing dividends,
  - (ii) special dividends,
  - (iii) repairing, improving and maintaining any of the property of the Company,
  - (iv) replacing wasting assets, or
  - (v) forming an insurance fund,

and for such other purposes whether or not similar to the foregoing, as the Board, in its absolute discretion, thinks conducive to the interests of the Company;

- (b) invest the several sums so set aside in such investments (other than shares of the Company) as it may think fit and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company; and
- (c) divide the reserve fund into such special funds as may think fit with full power to employ the assets constituting the reserve fund in the business of the Company without being bound to keep the same separate from other assets.

144. The Board may also carry forward to the accounts of the succeeding year or years any profit or balance of profit which it shall not think fit to divide or to place to reserve.

145. The Board may from time to time in its discretion increase, reduce or abolish any reserve fund in whole or in part and may transfer the whole or any part of any reserve fund to surplus.

#### VOTING SHARES AND SECURITIES IN OTHER COMPANIES

146. All of the shares or other securities carrying voting rights of any other company or companies held from time to time by the Company may be voted at any and all meetings of shareholders or holders of other securities, as the case may be, of such other company or companies and in such manner and by such person or persons as the Board shall from time to time determine.

147. The proper signing officers of the Company may also from time to time execute and deliver for and on behalf of the Company instruments of proxy and/or arrange for the issuance of voting certificates and/or other evidence of the right to vote in such names as they may determine without the necessity of a resolution or other action by the Board.

#### CHEQUES, DRAFTS AND NOTES

148. All cheques, drafts or orders for the payment of money and all notes and acceptances and bills of exchange shall be signed by such officer or officers or person or persons, whether or not officers of the Company, and in such manner as the Board may from time to time designate.

#### BOOKS OF ACCOUNT

149. The books of account of the Company may be kept either at the head office or at such other place in Canada as the Board may from time to time determine or approve.

#### EXECUTION OF INSTRUMENTS

150. (a) The term "contracts, documents or any instruments in writing" as used in this clause shall include deeds, mortgages, hypothecs, charges, conveyances, transfers and assignments of property real or personal, immovable or movable, agreements, releases, receipts and discharges for the payment of money or other obligations, conveyances, transfers and assignments of shares, stocks, bonds, debentures or other securities and all paper writings.

- (b) Contracts, documents or any instruments in writing requiring the signature of the Company may be signed by the President or a Vice-President together with any one of the Secretary, Treasurer, Assistant Secretary or Assistant Treasurer and all contracts, documents and instruments in writing so signed shall be binding upon the Company without any further authorization or formality.
- (c) The Board shall have power from time to time by resolution to appoint any officer or officers, person or persons on behalf of the Company either to sign contracts, documents and instruments in writing generally or to sign specific contracts, documents or instruments in writing.
- (d) The seal of the Company may when required be affixed to contracts, documents and instruments in writing signed as aforesaid or by any officer or officers, person or persons, appointed by resolution of the Board.
- (e) In particular and without limiting the generality of the foregoing, the President or a Vice-President together with the Secretary or the Treasurer, or any two directors shall have authority:
  - (i) to sell, assign, transfer, exchange, convert or convey any and all shares, stocks, bonds, debentures, rights, warrants or other securities owned by or registered in the name of the Company.
  - (ii) to sign and execute under the seal of the Company or otherwise all assignments, transfers, conveyances, powers of attorney and other instruments that may be necessary for the purpose of selling, assigning, transferring, exchanging, converting or conveying any such shares, stocks, bonds, debentures, rights, warrants or other securities.

## NOTICES

### Service

151. Any notice may be given by the Company to any shareholder, director, or officer of the Company either personally or by sending it through the post in a prepaid envelope or wrapper or by telegram addressed to such shareholder, director or officer at his address as the same appears in the books of the Company, or if no address be given therein then to the last address of such shareholder, director or officer known to the Secretary.

### Shares Registered in More Than One Name

152. All notices with respect to any shares registered in more than one name shall be given to whichever of the persons or bodies corporate is named first in the books of the Company and notice so given shall be sufficient notice to all the holders of such shares.

### Persons Becoming Entrusted By Operation Of Law

153. Every person or body corporate who by operation of law, transfer or by any other means whatsoever shall become entitled to any share or shares shall be bound by every notice in respect of such share or shares which previously to his or its name and address being entered on the books of the Company shall be duly given to the person or body corporate from whom he or it derives title to such share or shares.



## Deceased Shareholders

154. Any notice or document delivered or sent by post or left at the address of any shareholder as the same appears in the books of the Company shall, notwithstanding that such shareholder be then deceased, and whether or not the Company has notice of his decease, be deemed to have been duly served in respect of the shares whether held solely or with other persons by such shareholder until some other persons by such shareholder until some other person be entered in his stead in the books of the Company as the holder or one of the holders thereof and such service shall for all purposes be deemed a sufficient service of such notice or document on his heirs, executors or administrators and on all persons, if any, interested with him in such shares.

## Signatures to Notices

155. The signatures to any notice to be given by the Company may be written, stamped, typewritten or printed or partly written, stamped, typewritten or printed.

## Computation of Time

156. Where a given number of days' notice or notice extending over any period is required to be given the day of service or posting of the notice shall, unless it is otherwise provided, be counted in such number of days or other period.

## Proof of Service

157. A certificate of the Secretary or other duly authorized officer of the Company in office at the time of the making of the certificate or of the transfer officer of any transfer agent of shares of any class of the Company as to facts in relation to the mailing or delivery of any notice to any shareholder, director or officer or publication of any notice shall be conclusive evidence thereof and shall be binding on every shareholder, director or officer of the Company as the case may be.

## Coming into Force

158. This by-law shall come into force on the day on which it is sanctioned at a general meeting of shareholders.

Enacted this            day of            1964.

Witness the corporate seal of the Company.

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President

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Secretary



HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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THURSDAY, NOVEMBER 26, 1964

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Respecting

**BILL S-33—An Act to incorporate the Ottawa Terminal  
Railway Company.**

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WITNESSES:

*From the National Capital Commission:* Lt. Gen. S. F. Clark, Chairman and Mr. D. L. Macdonald. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Council and Mr. George Pogue.

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

and Messrs.

Armstrong	Granger	Marcoux
Balcer	Greene	Matte
Barnett	Grégoire	McBain
Basford	Guay	Millar
Béaulé	Gundlock	Mitchell
Béchar	Hahn	Muir ( <i>Lisgar</i> )
Boulanger	Horner ( <i>Acadia</i> )	Nugent
Cadieu	Howe	Olson
Cameron ( <i>Nanaimo-</i> <i>Cowichan-The Islands</i> )	( <i>Wellington-Huron</i> )	Pascoe
Cantelon	Irvine	Peters
Cantin	Kennedy	Pugh
Caron	Korchinski	Rapp
Cooper	Lachance	Regan
Cowan	Laniel	Rhéaume
Crossman	Latulippe	Rock
Crouse	Leblanc	Ryan
Ethier	Lessard	Southam
Fisher	Lessard ( <i>St-Henri</i> )	Stenson
Francis	Macdonald	Tardif
Godin	MacEwan	Tucker—60.
	Mackasey	

(Quorum 12)

D. E. Levesque,  
*Clerk of the Committee.*

## ORDERS OF REFERENCE

### HOUSE OF COMMONS

TUESDAY, September 29, 1964.

*Ordered*,—That the name of Mr. Gundlock be substituted for that of Mr. Lamb on the Standing Committee on Railways, Canals and Telegraph Lines.

TUESDAY, November 10, 1964.

*Ordered*,—That the following Bills be referred to the Standing Committee on Railways, Canals and Telegraph Lines:

Bill S-33, An Act to incorporate the Ottawa Terminal Railway.

Bill S-7, An Act to amend the Canada Shipping Act.

TUESDAY, November 24, 1964.

*Ordered*,—That the names of Messrs. Francis, Tardif, Greene, Caron and Ethier be substituted for those of Messrs. McNulty, Lloyd, Foy, Berger and Addison on the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, November 25, 1964.

*Ordered*,—That the names of Messrs. Peters and Barnett be substituted for those of Messrs. Orlikow and Prittie on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*Clerk of the House.*





## MINUTES OF PROCEEDINGS

THURSDAY, November 26, 1964.

(15)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9:45 o'clock a.m. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Messrs. Barnett, Béchar, Caron, Cowan, Crossman, Ethier, Fisher, Granger, Hahn, Kennedy, Leblanc, Macdonald, Millar, Pascoe, Peters, Rapp, Regan, Richard, Rock, Tardif, Tucker—(21).

*Witnesses:* From the National Capital Commission: Lt. Gen. S. F. Clark, Chairman, and Mr. D. L. Macdonald. From the Canadian National Railways: Mr. J. W. G. Macdougall, Q.C., Solicitor General. From the Canadian Pacific Railways: Mr. K. D. M. Spence, Commission Council, and Mr. George Pogue.

The Chairman introduced the witnesses and the Committee proceeded to the consideration of Bill S-33, An Act to incorporate the Ottawa Terminal Railway.

At 12:30 o'clock p.m., the examination of the witnesses continuing, the Committee adjourned to 3:30 o'clock p.m.

## AFTERNOON SITTING

(16)

At 4:05 o'clock p.m. there being only eight members present, a message was received requesting the presence of the Members in the House. Thereupon, the Chairman declared the Committee adjourned to Tuesday, December 1, 1964, at 9:30 o'clock a.m.

D. E. Levesque,  
*Clerk of the Committee.*



## EVIDENCE

THURSDAY November 26, 1964

The CHAIRMAN: Gentlemen, we have a quorum. This morning we have for your examination and approval, Bill No. S-33, an act to incorporate the Ottawa Terminal Railway Company. As you know, gentlemen, this bill was passed through the Senate and referred to us on November 10, after second reading in the house. It was examined very closely in committee of the Senate. However, the House of Commons may have different points of view to bring out on this bill. We have with us as witnesses Lt. Gen. S. F. Clark, chairman of the National Capital Commission; Mr. D. L. Macdonald, also of the National Capital Commission; Mr. J. W. G. Macdougall, Q.C., and Mr. Macdonald, of the Canadian National Railways. From the C.P.R. we have Mr. Spence, their counsel and Mr. Pogue. From the trucking association we have Mr. Gazdik and also Mr. A. W. Beament, Q.C., a representative of the Ottawa Transportation Commission.

Just for a start I would ask you to bear in mind the purpose of the bill is to implement, with regard to the incorporation of the terminal railway company, the agreement for the relocation of railways in the Ottawa area dated October 17, 1963 between the National Capital Commission, the Canadian Pacific Railway Company and the Canadian National Railway Company. I do hope, gentlemen, that we can keep our discussions within the limits of the bill. I will try and remind you, if necessary, so that we may co-operate and have a better discussion of the essential part of the bill, which, after all, is the incorporation of the company to administer the terminal and not a choice of site, which personally, I might say to the members of the committee and others, I did not approve of first of all, but that was a personal view.

Mr. PETERS: Could I ask the Chairman a question. There can be no other terminal; is this correct?

Mr. COWAN: There could be dissolution of parliament, Mr. Peters, yes.

The CHAIRMAN: I will proceed to call Lt. Gen. Clark of the National Capital Commission. I think he should give us the general background and outline the purpose of the bill.

Lt. Gen. S. F. CLARK (*Chairman, National Capital Commission*): I am very happy to be here to explain the background leading up to the decision to relocate the railway. I should like also to give you a brief report on the progress that has been made to date. I will not go deeply into the historical background because it dates back to the plans made by Sir Hubert, Couchon and others who were very involved in the development of plans for National Capital. I have one quotation if you will permit me to make it—dealing with the plan for the national capital, Mr. Greber that world renowned planner who prepared the plan for the national capital stated: "The remodelling of the railway facilities have, therefore, become the framework of the master plan for the capital".

Some of the improvements that were contemplated as a result of the remodelling of railway lines in the centre of the city, were, first of all, the reduction in the number of level crossings. The plan will reduce those by about 70. This was deemed to be very important because of the growth of



the city and the very rapid growth of the number of motor vehicles that were using the roads in the city. It would improve communication and reduce the danger of travel very considerably, and, indeed, it would also reduce the expenditures that all levels of government would have to make to separate the grades of the railway and the roads.

The second point that was contemplated was the simplification of railway operations. It was believed that the removal of duplicate lines and the concentration of railway operations under that terminal railway company would lead to simplification and to economies. Under this plan some 30 to 35 miles of track are to be abandoned. Under the new plan the terminals, workshops, classification yards, communication buildings and such things are being concentrated in the southeast corner of the city. It was contemplated that the abandonment that right of ways would be used to build traffic arteries in the form of highways, parkways and roads. It was also contemplated that the reorganization of the railway lines and facilities would improve land values and lead to redevelopment.

As you know the cities of Ottawa and Hull were bisected by these railway lines. There were deteriorating industrial areas which were rather unsightly. Also there was very little room for expansion in these areas and it was believed that the removal of these industrial areas in the centre of the city would serve to promote a very healthy redevelopment. It was also contemplated that industries could relocate in new areas where they could build modern plants and where they would have room to expand.

The joint parliamentary committee on the federal district commission in 1956 recommended some modifications to the railway location proposals made in the master plan by Mr. Greber. The report of the joint parliamentary committee was tabled in both houses on the first of August 1956. I would like to have Mr. McQuarrie outline on the map what was contemplated at that time and what the recommendations of the joint parliamentary committee were.

The first was the removal of the railway lines of the Canadian National Renfrew subdivision which ran from west to east across the city of Ottawa. I will speak about that later. That is now the Queensway. The second was the abandonment of the Canadian Pacific Railway Sussex Street Subdivision from Bank street in the south along past Hurdman through Eastview behind city hall to C.P.R. yards on Sussex drive. I will speak about developments that are taking place there in a moment.

The abandonment of the C.P.R. Carleton Place subdivision from Bell's Corners to the Ottawa West station at Bayview road; the abandonment of the C.N.R. Beachburg subdivision from Wass to Hurdman; the abandonment of the railway lines from Hurdman's Bridge across the Rideau river along the bank of the canal past the present union station and over the Alexander bridge almost to Brewery creek in Hull, and the construction of a new station at or about the intersection of Walkley and Conroy roads.

In 1959, the government decided that the new station should be built east of the Rideau river near Alta Vista and the Queensway, three miles closer to the present union station and the site proposed by Mr. Greber. As a result of this change in site of the railway station the Beachburg subdivision line from Wass to Hurdman had to be retained for efficient railway operations.

If I may say a few words, Mr. Chairman, on progress, the Renfrew subdivision of the C.N.R. from Nepean junction running through the city of Ottawa has been removed and eight miles of the Queensway which is part of the trans-Canada highway system has been built on this abandoned right of way. Construction is continuing. It is completed now to Elgin street. The next stretch from Elgin to Concord will be completed next year and finally

it will be joined with an eastern section of the Queensway in 1966—late 1966, when the railway lines running to the union station have been removed.

I would like to speak about the Sussex subdivision of the C.P.R. The commission approved the abandonment of the Sussex street subdivision from Sussex Drive to Beechwood on the 15th of June this year and has approved the abandonment of the remainder of the line on one month's notice from October 1, 1965. The northern part of Sussex street subdivision land is being used to provide interchanges and approaches to the Macdonald Cartier Bridge—which is being built across the river. Other lands acquired by the commission in this area, either from private owners or from the C.P.R. is available for the government to use as it deems appropriate for this particular area.

When the remainder of that subdivision is abandoned the right of way will provide part of the land needed for a road connection from the Ottawa end of the Macdonald-Cartier bridge to the Queensway and to the station. This is contemplated in the Ottawa official plan of roads. It is planned that the railway lines running past the Union station to Brewery creek in Hull will be removed late in 1966 when it is expected that the new station will be finished and in operation. When this is done the commission plans to call for the construction of a driveway from the site of the present Union station along the east bank of the canal connecting to an interchange at the Queensway very close to the new station. It also calls for joining Echo drive on the south bank of the canal to the new parkway at Deepcut. The distance from the new station to the location of the old one is just over two miles and should be about a four to five minute drive. We expect and hope that it will be a very pleasant driveway. Our consultants are studying the ways and means to see if it is possible to make a connection from this driveway, the site of the present Union station along the railway lines, to the Alexander bridge. This is a rather difficult one, but we hope it can be done.

The abandonment of the Carleton Place subdivision from Bell's Corners to Ottawa West and the railway tracks and yards in LeBreton flats will enable the government to assemble in the LeBreton flats area a site for government buildings, and possibly some for use by private capital of 142 acres, some 55 acres acquired by the commission, 60 plus acres coming from the railways and some 29 acres being recovered by filling in part of Nepean bay. This provides a 142 acre site exactly one mile from the Peace tower. Removal of these lines will also give the commission land to widen the Ottawa parkway as it approaches Britannia and the removal would also permit the widening of a part of Scott street.

Last autumn the government announced its approval, in principle, for redevelopment of present Union station area. This has been generally known as the "Parkin Plan" which calls for the construction of government buildings in the triangle of land between the canal, Nicholas and Laurier, an area large enough for about one and a quarter million square feet of office buildings. The proposal calls for buildings by private capital in the area north of the Mackenzie King bridge to Wellington and Rideau. The plan contemplates a new hotel for some 500 guests, office buildings for non-government use and an auditorium for conventions.

The last subdivision mentioned was the Prescott subdivision which runs across the Ottawa river and Prince of Wales bridge, the Queensway, Carling, Dows lake and Carleton University. These railway lines will have to carry the interprovincial railway traffic and because of this it will have to be grade separated. The work is under progress. That tunnel under the canal at the end of Dows lake has been completed and the contractors are working on the grade separations at highway 16 and Carling avenue, now.



I would like to say one word about industrial lands. The government authorized the commission to acquire and develop industrial lands adjacent to Walkley road, Sheffield road, Belfast road, Coventry road and at Bells' Corners for sale to industry which had to relocate because of removal of the railway lines, and any other activities of the commission. The industrial areas adjacent to Belfast, Sheffield and Coventry road are ready for use. Sixteen sites of some 80 acres have been sold and on 14 of these sites, approximately 66 acres, new industrial buildings either have been constructed or are under way.

It was the judgment of the two railways and the commission that the elimination of duplicate railway lines and facilities and their concentration into one railway system in the national capital region could best be operated by the terminal railway company.

Mr. Chairman, this is a very brief summary of the railway location plan. May I say, the commission believes when this plan is completed it will have achieved the objectives contemplated by the various agencies which planned the project and by the report which was tabled in 1956 in both houses.

The CHAIRMAN: Thank you very much. Now, gentlemen, I am sure there are a few members who would like to ask questions. Mr. Macdonald.

Mr. MACDONALD (*Rosedale*): Gen. Clark, can you tell me if the C.P.R. line from Arnprior subdivision west of Island Park drive is to be abandoned.

Gen. CLARK: I do not think this is the one you mean.

Mr. MACDONALD (*Rosedale*): This is the one I mean. Is its removal dependant upon the establishment of the new station or completion of the new Macdonald-Cartier bridge or dependant on both?

Gen. CLARK: I would think its removal is not dependant on the station. The one that is dependant on the new station and which is being grade separated is the Prescott Subdivision.

Mr. MACDONALD (*Rosedale*): Assuming that this particular bill runs into difficulties, and I am not saying that it will, it is rather the completion of the Macdonald-Cartier bridge which will permit the removal of that line sometime commencing about 1966.

Gen. CLARK: I am sorry; I just did not quite get your question.

Mr. MACDONALD (*Rosedale*): Presumably the completion of the Macdonald-Cartier bridge will permit the removal of the C.P.R. line sometime in 1966.

Gen. CLARK: I may be missing your point. I do not think the Macdonald-Cartier bridge influences this. If it does I do not see the connection.

Mr. MACDONALD (*Rosedale*): I presume when the Macdonald-Cartier bridge goes into operation the Alexander bridge is going to be removed and the railway line . . .

Gen. CLARK: Taken off.

Mr. MACDONALD (*Rosedale*): When will that be—1966?

Gen. CLARK: That is the date we are hoping for.

Mr. MACDONALD (*Rosedale*): Therefore, it will follow from that, that since access to the station is over that bridge the lines that I have reference to along the south river bank of the Ottawa river would also have to be removed at the same time.

Gen. CLARK: It would not have to be removed exactly on that date. You could still cross on the Prescott subdivision over the Prince of Wales bridge to Hull.

Mr. MACDONALD (*Rosedale*): So there is no definite date for the removal of the line west of Island Park drive at the present time?



Gen. CLARK: There is no definite date. An application is about to be made. The planned date is and I have to check my notes—sometime in 1966.

Mr. MACDONALD (*Rosedale*): The proposal then is to have another line right of way transferred by the C.P.R. and, perhaps, revert to the National Capital Commission.

Gen. CLARK: The right of way becomes the property of the commission plus 60 acres of the C.P.R. marshallng yards in LeBreton flats that will also be transferred to the commission.

Mr. MACDONALD (*Rosedale*): You made some reference to incorporation of some of the right of way on Scott street. Is there any proposal to use any part of the right of way west of Churchill avenue for the extension of Scott?

Gen. CLARK: The extent to which any part of the right of way is used would have to be negotiated between the commission and the city. It would not be the commission's responsibility because it forms no part of the driveway or parkway which the commission is building.

Mr. MACDONALD (*Rosedale*): You are not aware of any plans?

Gen. CLARK: If you look at the city's official plan of roads, you will see that they have contemplated the use of the railway lines which would be abandoned for the widening of Scott street that runs past Tunney's pasture. We have not negotiated with the city and it is a matter of city policy.

Mr. MACDONALD (*Rosedale*): I understand that the Prescott line will continue in operation and give access to industries such as Fleck.

Gen. CLARK: I do not recognize the name of that company.

Mr. TARDIF: I think he means Beach Foundry.

Mr. MACDONALD (*Rosedale*): I think it is called Fleck. For industries along Wellington and Somerset streets off that particular line, do you have any information what the plans are with respect to this?

Gen. CLARK: I could ask my staff that works with the city. I could ask my director of planning if he knows of an existing plan which contemplates some modification of the structure. Mr. Macdonald, can you say if the city plans some modification or changes to this?

Mr. D. L. MACDONALD (*National Capital Commission*): In answer to the question, the proposed use of the C.P.R. right of way parallel to Scott street as shown on the official plan of roads of the city of Ottawa is a major traffic artery. At the present time in collaboration with the department of highways of Quebec and Ontario the city of Ottawa is re-studying the whole road network. At the present time it looks as though the C.P.R. right of way will be required for an important traffic artery which will involve the widening of Scott street. In so far as the other question dealing with the Beach or Fleck foundry is concerned, the original recommendation was that the rail siding to this plant would be removed, but I think it is fair to say that it is still under study.

Mr. MACDONALD (*Rosedale*): You refer to the widening of Scott street; is there any thought of extending Scott street west from Churchill with the assistance of the abandoned right of way?

Mr. D. L. MACDONALD: The proposal is that it will be used partly because the road has to be adjusted. In part it is Scott street. In part it is the railway right of way widening, but it is not a continuous road at the present time.

Mr. MACDONALD (*Rosedale*): It will be continued past Churchill avenue?

Mr. D. L. MACDONALD: It is under study.

Mr. MACDONALD (*Rosedale*): I do not know whether this is a question to the general or to Mr. Macdonald, but I understand the parkway along the south

bank of the Ottawa river is planned in two stages. The first part I understand is almost completed now and the second part will incorporate the right of way which runs along that portion of the parkway; is that correct?

Gen. CLARK: I will answer that, Mr. Chairman. The right of way for the Ottawa river parkway does not involve the use of the railway right of way but toward the western end as it approaches Britannia some of the railway right of way can be used to widen it and give park lands in that area. The final stage cannot be completed until we remove the railway lines at LeBreton flats.

Mr. MACDONALD (*Rosedale*): A more specific question: can you tell me whether the stretch approximately one mile west of the extension of Mansfield avenue will be covered in one or two stages?

Gen. CLARK: I would have to refer that question to Mr. Macdonald. I do not recall Mansfield avenue.

Mr. D. L. MACDONALD: It dead ends the railway right of way at the present time. It is approximately a mile west of Churchill avenue.

The CHAIRMAN: The thing I am worried about is that we must not set ourselves up in this committee to make an examination of the national capital plan.

Mr. PETERS: Why not?

The CHAIRMAN: For that purpose we would have to get greater power from the house. This is not a committee to examine the affairs of the National Capital Commission as such but only in so far as it relates to the terminal and operation of the terminal.

Mr. MACDONALD (*Rosedale*): The general opened by discussing the right of way, the approval of the railway and the right of way.

The CHAIRMAN: Mr. Peters raised a point.

Mr. PETERS: The general raised this whole subject. All the member is doing is discussing what the general referred to and you have allowed it.

The CHAIRMAN: I have not allowed it in so far as it relates to the use of the railway right of way.

Mr. PETERS: I would suggest, Mr. Chairman, that the questions are directed to the railway in that area and I think that is related.

The CHAIRMAN: I am quite willing, Mr. Peters, provided it is limited to that.

Mr. MACDONALD (*Rosedale*): Rather than detain the committee perhaps I could have a private word with the general on this specific question later. My final question, and again I am not sure that this is within the purview of the committee, is what arrangements will be made for taxi services at the new station and will all taxi operators in Ottawa be entitled to pick up fares at the station?

Gen. CLARK: Mr. Chairman, as far as I am aware there is no restriction. The actual operation of the terminal railway will be under the railways. I think this question would be better put to the railways.

Mr. MACDONALD (*Rosedale*): I will pose the question to another witness.

The CHAIRMAN: Mr. Pascoe.

Mr. PASCOE: I was going to ask if there were maps for each member of the committee?

The CHAIRMAN: I will ask General Clark if there are copies of the maps available.

Mr. PASCOE: General Clark referred to land that would be available for office buildings when the present track was removed. What I am concerned with is will there be a limit on the height of the building so it will not detract from the parliament buildings or the Peace tower?



Gen. CLARK: Mr. Chairman, the architects who prepared the outline plan of this and various advisory committees of the commission, the design committee, have been very conscious of the need to preserve the sky-line, the vista, and not to have any heights which would in any way detract from the significance of the parliament buildings and the Peace tower.

Mr. PASCOE: There is nothing in the bill. How will they limit the height?

Gen. CLARK: The limits of the heights in the area will be controlled by the government through the commission because the area will be owned by the government. When any buildings are erected by private capital, Mr. Chairman, the land will be leased to them and their building designs would have to be approved by the commission. The government has control of any building on crown land that it leases. The government would retain complete control over the type of architectural design, height, et cetera, of buildings.

Mr. TARDIF: Mr. Chairman, is this not controlled by bylaw of the city of Ottawa.

The CHAIRMAN: Mr. Peters?

Mr. PETERS: I do not want to discuss all the other problems. I am interested in the station. It seems to me from what the gentleman has said that this is a foregone conclusion; that this is the general opinion and this would be the decision taken on the part of the commission to remove the present terminal.

Gen. CLARK: Yes, Mr. Chairman, the commission has no power of this sort on its own. These recommendations were made to the government some years ago and the government in 1959 approved the station being located on Alta Vista drive near Hurdman.

Mr. PETERS: In what form?

Gen. CLARK: By order in council.

Mr. PETERS: I do not remember it coming before parliament in the few years that I have been here. Parliament did not approve this; is that correct?

Gen. CLARK: I do not believe that the site of this station came before parliament for discussion except to the extent that the railway station had been planned in an area south of this at Walkley and Conroy roads.

Mr. PETERS: And it was changed from this Walkley site?

Gen. CLARK: This was a recommendation that was made by the then federal district commission to the government which approved it by order in council in 1961.

Mr. PETERS: Would you be aware of why it was recommended?

Gen. CLARK: Yes, I can give you some of the background, Mr. Chairman, on that. The original plan was at this site (pointing to the Walkley area). The new site is up here (pointing to the site near the Alta Vista drive and Queensway interchange), three miles closer. The original plan was to leave the railway station, the present Union station in operation for a fairly long number of years, the number was not specific, but they would carry on and complete the major portion of the railway relocation and then finally move the station. When this was examined there was certain cost implications that became evident fairly quickly. The Queensway would have to span it and bridges would have to be built over top of the railway lines, running to Union station. The plan, now, is to do it at grade rather than by elevated structure. Also there was a need to do a great deal of maintenance on the station and it was decided or agreed, I understand, between the railways and the commission that it would be more sensible to bring the station in closer and to build it sooner so as to avoid building structures over railway lines which would not be needed at a later date.



Mr. PETERS: Is it true that the moving of the station was violently opposed by the railways and great inducements were offered to them for them to agree to this plan at all?

Gen. CLARK: I was not in the discussion, Mr. Chairman. I think it would be better if the railway answered this question themselves. Any answer I would give on this would be hearsay. I understood that the railways were in agreement, but I believe it would be better for the railways to answer that question.

Mr. PETERS: Could I ask what studies have been made recently because there has been a great change in the thinking on the North American continent about commuter services. One that we are interested in is the one between Ottawa and Montreal which has not proven to be easy to establish by air. We have to go some distance from the airport in Ottawa to the downtown section of the city and great difficulty in getting to the airport. Certainly the capital commission should give some consideration to constructing a direct road to the airport. They should be interested in doing something worth while instead of this sort of thing. Are they also aware of the fact that some large cities such as Montreal and New York have, at great expense, taken their terminal into the central section of the city. One we are interested in is Montreal. We have a downtown terminal in Montreal. In Ottawa which is not conveniently reached by air travel at the present time our terminal is not adjacent to the city.

I would like to make it very clear, Mr. Chairman, that I am not suggesting I have objections to this bill. I am suggesting that the terminal we are speaking of should handle freight, express and other things. What I have in mind is a downtown commuter terminal that will have one track in and one track out where only passengers and baggage are brought in. It could be by electric locomotion. I think you could go to electric because it is not very far. Are the commission not aware of the development that has taken place in the last two or three years? What consideration has been given to this?

Gen. CLARK: Well, Mr. Chairman, I am not aware of any plans that the railways have for a commuter service to Montreal.

Mr. PETERS: They already have it. It is already there. There is a commuter service at eight o'clock in the morning or something like that. They have a 75 mile per hour train. It is a commuter train.

Gen. CLARK: I presumed you were speaking of an expansion of this, whether they intended to expand their commuter service with more trains in the future. We are aware of the trains that are running to Montreal, yes, Mr. Chairman. I think the commission has been aware of the various ways in which people come into the city. Our latest figures are here. These figures were given to us by our consultants in July of this year, the ones that are doing the Ottawa, Hull transportation study. They show at the present time about 8.7 per cent of the people arriving in Ottawa arrive by rail; 87.3 arrive by road and 4 per cent by air.

Mr. RAPP: Could you repeat the figures?

Gen. CLARK: Road, 87.3; rail, 8.7 and air 4 per cent. This was a sampling of 24 hour period. The figures that were given to us where 11,000 persons by road for 87.3%, 1,100 by rail for 8.7 and 500 by air for 4 per cent making a total of 12,600 a day.

As I mentioned, part of the railway relocation plan was to use railway rights-of-way for parks, roadways and highways to whatever scale or dimension they are built. We believe for example, the Queensway which was the old

railway right-of-way is serving a large number of people coming to and leaving Ottawa, and that the parkway which would be built, or driveway, whatever the appropriate term is, from the station to the site of the new station to, say, the Chateau Laurier area would be a four-lane driveway and could handle a great deal of traffic quickly. It would be connected to the Colonel By drive.

Mr. PETERS: My concern is with the 10 per cent of my constituents that are going to come to Ottawa by rail. I would be interested, Mr. Chairman, in knowing why such pressures were put on to move the station from the Walkley freight area. It seems to me the original decision was to move out of town, and frankly they did not accomplish this, they got all their freight cars and everything else in Greenbelt even in the beginning. Then they moved the station to Alta Vista where it is not serving any purpose such as a commuter service in the downtown area because two miles is a long way to walk. Transportation has to be provided. Obviously some pressure has been brought to bear to move it in that close. It is already in the centre of a residential area. Industrial avenue is going to prove to be very bad public planning, I would think, from Ottawa's point of view because Alta Vista is considered to be one of the new residential sections. This industrial development in it is probably going to make it a slum area before many years. What pressures were brought to bear to move that four miles closer to the centre of the city? I have no disagreement with the idea of moving everything except the passengers out of the city. We really have not done that. They are being scattered around in many areas that are rapidly growing. We have brought the station part back into the complex. I wonder what arguments can be usefully brought for this.

The CHAIRMAN: I was thinking that perhaps these questions could be directed later to the representatives of the Canadian National Railways because General Clark said he does not know.

Mr. PETERS: I do not know whether he does. He told us he is aware of what development is taking place in Ottawa in relation to the other abandonments of the lines. General Clark has testified what happened to the roads in redevelopment areas of Ottawa. This is a major change in thinking. What pressures were brought to bear to move that back into the residential area?

The CHAIRMAN: Will you, General Clark, answer once again as to whether you know or do not know?

Gen. CLARK: I do not know of any pressures so far as I am aware. I am happy to do research on it. This recommendation to move the station from Walkley and Conroy roads was planned primarily by the commission, discussed with the railways and so far as I know there was no pressure, certainly, put on the commission. I have not been told of any pressure. One of the reasons I mentioned for putting it there rather than leaving it out was that it would involve more costly construction of the Queensway. Also when the Queensway is through, if and when these tracks are removed, from the time point of view people in the east and west parts of Ottawa can get very quickly to the station along the Queensway, much faster than they could to the present site of the station because movement through the centre of Ottawa cannot be accomplished very quickly. I would think if you were to measure time from the western part of Ottawa or the eastern part of Ottawa to the site of the new station you will get there much more rapidly than getting to the present station.

Mr. PETERS: Mr. Chairman, will the witness not agree that this is true: We are dealing with less than 10 per cent of the travelling public. Will you not agree the public is divided into two classes, those that are visiting for personal reasons and those who are coming to Ottawa in a business sense. Our interest is, or at least my interest is, mainly those who are coming to Ottawa in a business



sense rather than those who are coming to visit relatives in Alta Vista or Britannia or anywhere else. Is it not our responsibility to differentiate between these two groups?

—Recess.

The CHAIRMAN: We will resume. Mr. Peters?

Mr. PETERS: Mr. Chairman, could I ask the witness if a feasibility study has been undertaken to determine the cost of covering the area from what they call Deep Cut to the present Union station? Has a feasibility study been undertaken?

Mr. COWAN: That is the last thing to be considered.

Gen. CLARK: Mr. Chairman. May I just check and make sure that we are talking about lands owned by the railways from Deep Cut to the Union station.

Mr. PETERS: The Canadian National has a line that comes in and winds at Deep Cut and it goes straight from there to Union station. This is a distance of about three quarters of a mile, I suppose.

Gen. CLARK: Yes. If the Chairman would agree I can have this figure looked up. I do not have it accurately in my head. I can give the committee the cost of the railway lands from the station to Deep Cut, in fact, right to where it crosses the railway Rideau river. We have got a right of way from Union station right through to the site of the new station. I can give the committee these figures if I can have one of my staff look them up.

Mr. PETERS: Has the commission given consideration to using this as an alternative to using the station on Industrial avenue?

Gen. CLARK: Mr. Chairman, when the recommendation that was made by the commission was approved by the government this land would come into the hands of the commission, and the land would be used for two purposes, one a parkway connecting to the Queensway at the site of the new station—and two the larger amount of land, on which the railway tracks, box cars and heating plant around the union station are situated—this is the area covered by the redevelopment plan. It widens considerably at the south part between Laurier bridge and the Mackenzie King bridge. That is where the three government buildings are contemplated, with a million and a quarter square feet. It will have much more dense use than the present use of the area because it is mostly railway sidings and small buildings.

Mr. PETERS: You do not really intend to run a road through there?

Gen. CLARK: Yes, Mr. Chairman, along the railway right of way close to the canal the plan is for a four lane driveway.

Mr. PETERS: Perhaps we are not talking of the same place. There does not seem to be much room between Echo drive and the canal, the embankment. There is not too much room, certainly not enough for a large building. It is very close to the canal.

Gen. CLARK: Mr. Chairman, may I just point out that the railway owns certain additional lands. I agree some of them were not too wide, but the commission already held the land between Nicholas street, Laurier avenue and the railway property. Those are owned by the commission and have been owned by the commission for some years. I admit if we did not own any land and we were only using the lands that came from the railways we would have been able to do little toward putting the driveway there. We already owned that very large triangle of land which is Nicholas, Laurier and Mackenzie King bridge. We own that land now and have owned it for some years.



Mr. PETERS: Has the commission given any consideration as to the disposition of the station that is there now?

Gen. CLARK: Yes, Mr. Chairman. The plan of the commission is to tear down the union station, the heating plant, the old freight sheds and clean that area out. This is the area that is planned for redevelopment and is covered in the "Parkin plan".

Mr. PETERS: This is the government building?

Gen. CLARK: At the bottom of the area, the south end, Mr. Chairman. As I mentioned, the Parkin plan, approved in principle by the government, calls for government buildings in this area. We have not approval for a particular building. The Department of Public Works not the commission, has approval in principle for three buildings, two or three. It will be an architectural point whether it will be two or three. These will have one and one quarter million square feet of office space. In the area north of the Mackenzie King bridge where the heating plant is the proposal of the commission is that it invites private capital to build in the area a hotel of about 500 to 600 capacity. It would also be available for private capital to erect office buildings, all of these for private use, not for government use, on land leased by the government on a long term lease. The commission also hopes that there will be built in that area at some time an auditorium for conventions that might wish to come to this city. To provide a convention auditorium or hall.

Mr. PETERS: Mr. Chairman, does this not conflict with our program establishing Confederation heights and Tunney's pasture for government buildings. Is the proposal the general has mentioned not in complete conflict with what we have decided and has been our practice.

The CHAIRMAN: I will let the general answer that. Gen. Clark.

Gen. CLARK: No, Mr. Chairman, I do not think it is in conflict. I would say it would be complementary to that. Mr. Chairman, as you realize a certain amount of land was bought out in Confederation heights where we have the post office, public works and the C.B.C. building. A number of people have gone in there. There is a feeling in government that we are placing too many people on the outskirts of this city and letting the center part of the city decay. We are trying to do sensible planning and have buildings and the people who need to be or ought to be closer to the parliament buildings.

Mr. COWAN: I will not put the C.B.C. out in Confederation heights away from parliament.

Mr. PETERS: One last question and I will pass to some one else. What is the reason for the tunnel at Dow's lake? What is the reason for this and where does it go? Is it contemplated that this crosses the river at an inter-provincial connection?

Gen. CLARK: Yes.

Mr. PETERS: Why was that railway left in?

Gen. CLARK: Mr. Chairman, there is a railway line there now which crosses to the province of Quebec. It crosses highway 16 which runs past the boat house up to the Experimental farm at grade. It crosses Carling avenue at grade and because the increased amount of railway traffic that will be on that line because of the elimination of the line across the Interprovincial or Alexander bridge it (the railway line) had to be grade separated, otherwise the traffic would be badly tied up there. The reason for the tunnel under the end of Dows lake, actually under the canal, is to separate the railway line and Colonel By drive which now cross at grade. The depression of the line starts beside Carleton University, goes under the canal, under highway 16, under

Carling avenue, under the Queensway and will return to present grade level close to the Prince of Wales bridge which carries the present railway line.

Mr. COWAN: I wonder if Mr. Peters would allow a supplementary question. I just want to clarify, general, as regards this particular line, if it crosses Carling it runs between Champlain and Preston. Through that area there will be a cut. Will that be a covered cut?

Gen. CLARK: No, the cut will be open.

Mr. COWAN: The cut will be open?

Gen. CLARK: Yes.

Mr. COWAN: It will be bridged at each one of the streets such as Lawrence and Beech, a number of streets in that area.

Gen. CLARK: May I ask Mr. Macdonald if he knows the bridges on that. There is the Queensway bridge which exists now.

Mr. D. L. MACDONALD: The bridging will take place on highway 16 or the Prescott highway and Carling avenue, at Beech.

Mr. COWAN: Not at Lawrence.

Mr. D. L. MACDONALD: Not at Lawrence. At Beech, at Gladstone at the Queensway, at Somerset and at Wellington.

Mr. COWAN: The present crossing at Young will be eliminated also?

Gen. CLARK: Yes.

Mr. COWAN: Just in relation to this operation and the cost involved, Mr. Macdonald, in the grading; I suppose that after going under Carling you rapidly come back to the surface and it would still go underneath the Queensway if it were on the surface. It goes underneath the Queensway at the present time.

Mr. D. L. MACDONALD: By keeping the railway depressed it is possible to get separated crossings at Gladstone and at Beech which do not exist at the present time.

Mr. COWAN: In order to service those two streets at Gladstone and Beech—and Beech is a very minor crossing; there is not very much traffic except for neighbourhood traffic on Beech—the additional expense must be very considerable, must it not?

In other words, if you came back after Carling, came up to the surface and travelled where the line is at the present time there would be no necessity to take it all the way from Carling underneath the Queensway and all the way over until you get to Wellington. There must be quite a considerable amount of money involved.

Mr. D. L. MACDONALD: I think the problem is more a technical one. The railway has to be fairly deep to be under Carling avenue.

Mr. COWAN: Yes.

Mr. D. L. MACDONALD: There is a limit to how much grade you can put on a main line railway. The railway being down it seemed wiser to leave it down and let it climb up at a good railway grade rather than bring it back up too abruptly.

Mr. COWAN: You do not start to climb until you are past Gladstone; is that accurate?

Mr. D. L. MACDONALD: That is correct.

Mr. COWAN: The only things, Mr. Chairman, I would be interested in knowing in general are the figures of the extra expenses involved in continuing the cut for that very lengthy distance as compared to bringing it up as quickly as possible to the surface after passing under Carling and putting in a good level crossing with signals at Gladstone.



The CHAIRMAN: Mr. Macdonald, could you get some kind of estimates?

Mr. D. L. MACDONALD: We could supply the estimates later.

The CHAIRMAN: Mr. Peters, have you finished?

Mr. PETERS: I pass.

The CHAIRMAN: Mr. Barnett.

Mr. BARNETT: Perhaps, as the member who originally suggested in the house that this bill come before the committee, I might be permitted one or two remarks before I question.

The CHAIRMAN: Yes.

Mr. BARNETT: As the members will recall, when the bill came for second reading it came rather unexpectedly after having been quiet for some period of time. I have forgotten the date. The general has already mentioned that in 1956 there was some examination of this. I think all of us will agree that not too many of us were members of parliament in 1956.

My own feeling was that the present commons should not merely put a rubber stamp on what was done by the previous parliament. As far as the discussion that took place in the house was concerned, virtually all of the interest centred on this question of the advisability or desirability of the relocation of the present station site. That, quite frankly, is my interest in the bill. I am not opposing the idea of the terminal railway as such.

I think this question of relocation is a valid concern of the members of the house. It has been indicated by some other members that they have an interest in the question. I think that should be properly pursued. Some of the questions that are in some of our minds have already been raised by Mr. Peters. My interest is in that particular question.

As far as I can see from the outlines that we have had already this morning the whole question hinges on the establishment of the particular piece of railway line that lies between the proposed new station site and the present Union station site. The whole question is of passenger traffic and passenger convenience; and what I call traffic fatigue is involved.

As far as I am concerned one of the main advantages of travel by rail rather than air is that it avoids the confusion of having to transfer from the airport into a limousine or taxi or car or something else.

I feel that the responsibilities as outlined in the bill on the proposed railway terminal are very much a part of this question. I notice some of the questions that are in my mind were touched in part, at least, by the committee in the other place. Mr. Macdonald was asked about the origin and destination of passengers. He said that had been dealt with in 1958 and 1959. He did not receive the particulars. I noted in the Senate evidence it is indicated by Mr. Burns that—

The CHAIRMAN: Would you give me the page number, please?

Mr. BARNETT: Page 14 on No. 1. Mr. Burns says: "I would not like to quote percentages without the figures in front of me. A large number, very close to three-quarters of the incoming passengers to this city, are business men going principally to government agencies". I think that statement is in line with some of the questions already raised by Mr. Peters.

I was much interested in the general's reference earlier to the government approval in principle of the plan of redevelopment of the Preston area. I have no objection to removing that eyesore. The general did mention the possibility of having a 500 or 600 room hotel. He mentioned the possibility of a convention auditorium and of a number of office buildings. It seemed to me that this plan as it has been approved in principle lends weight to the contention that I understood has been made that something of the nature of the



kind of development we now find in the suburbs of Montreal could very well be there. The question that immediately occurs to me is why can there not remain a modern, attractive and convenient passenger terminal as part of the complex so one can step off a train—without having to go through the commotion that is involved in airline travelling—and be here in the complex.

The general has already mentioned a four lane driveway from the proposed new station to this area. That leads me to ask the general why it would not be possible to retain—and I am not competent in the technical field—a double track rail line to this area with the proposed driveway on either side of it. I would like to ask what information the commission has on what would be the cost of that kind of development as opposed to a four lane driveway. For example, how many level crossings in this proposed driveway are involved as it is presently designed? And if there are level crossings which might be a problem, if the rail line were included as part of the plan, what would be the cost of closing off the level crossings or building separated crossings? It seems to me this is very much at the heart of the question.

The CHAIRMAN: Personally I must say I think it is well to have this matter discussed. Perhaps someone might have raised the point that the location of the station is almost a *fait accompli*. The fact is we are all aware that the members of the House of Commons have not had an opportunity to examine the plans and operations of the National Capital Commission since 1956. That is why I think we should have certain latitude before considering the bill to obtain that type of information which we have not been able to get as a committee of the House of Commons for the past eight years. I would like you to phrase your questions. I think your remarks are very much to the point. Would you please put your questions now to Gen. Clark.

Mr. BARNETT: The specific question is in connection with the line, which is part of the arrangement of the proposed driveway which would enable passengers to run directly to the terminal. I would not eliminate the suggestion that passengers desiring to do so should be able to disembark at the proposed site.

The CHAIRMAN: Gen. Clark.

Gen. CLARK: As I mentioned before this was a study made some years ago. If you would permit me I would like to quote some figures. These were 1959 figures.

Mr. ROCK: Could I put a supplementary which I think would cover the question as a whole? Might I be permitted?

The CHAIRMAN: If Mr. Barnett has no objection.

Mr. BARNETT: I have no objection.

Mr. ROCK: I think most of us here are concerned whether every effort was made to retain the commuter station within the same locality as it is today, whether every effort was made in the complex future plan of the capital commission to retain the station there.

The CHAIRMAN: I think we all get the point. Please go on, General Clark.

Gen. CLARK: I will answer the supplementary question first. It is my understanding that the planning that led to the railway relocation was initially the plan for the national capital prepared by Mr. Greber.

The question of leaving Union station in its present location for some time and moving it at a later date to Hurdman's Bridge was considered. I have a paper here which gave some of the estimates of the financial implications of it. The government decision and recommendation by the commission was made in 1959. The estimate brings up five points: Construction of new depot tracks and a high level bridge over the Rideau river and approaches; construction of a

new loop in Ottawa east for turning passenger trains; overpass structures over the Queensway in Ottawa east; installation of a new signal system for Rideau river to Union station, and rearrangement of existing station tracks and facilities in vicinity of Union station.

These were the various headings, and the estimated expenditure at that time was \$3,100,000. The decision or the recommendation of the commission was at that time to locate it at Alta Vista, and this was referred to the author of the master plan, Mr. Greber. He supported this view. That recommendation was then made to the government and it was approved at that time on, I believe I said, the 1st of August, 1959.

Mr. BARNETT: Would it be possible, Mr. Chairman, to have this tabled so it could be attached to the record of the committee?

The CHAIRMAN: Yes. Is it the wish of the committee to attach this schedule to the report of the committee?

Agreed.

Mr. Rock: The other part of the question was not answered. Was there every effort made to retain, not necessarily the same station but a station at the same area? Was there any plan or possible plans proposed to retain it there and was it then found that it was not possible? Was there an effort made to retain the central station within the same area? I do not mean necessarily to keep the old building there but a new station within the same area. Was every effort made in that direction?

Mr. CLARK: Mr. Chairman, the commission on the advice of its planners and Mr. Greber accepted the proposal that the station should be moved. In other words, the commission and its planners, the people who made the over-all plan for the capital recommended that these lines be removed. You could not say that the commission tried to make a plan to keep the station there. It was in favour of the plan for the national capital which called for it to be removed.

Mr. BARNETT: Just arising out of that answer I would like to ask whether at that stage any consideration had been given to the outline plan for the redevelopment of the Union station area, which he mentioned earlier this morning?

Gen. CLARK: Yes, Mr. Chairman, the commission had made tentative plans, outline plans, for this redevelopment. Before recommending the plan to the government it was decided that it would be advisable to engage a government consultant to review all the planning to make sure that the commission's plans for development carried the favourable judgment of other planners. John P. Parkin and Associates were engaged as the over-all planners and they engaged other advisers. I believe it was DeLeuw Cather and Company on traffic, Sasaki & Strong on landscaping and Larry Smith and Associates, real estate consultants. He engaged a number of other consultants to advise him on all the factors related to the over-all plan. He brought forward a new plan of how this area should be redeveloped.

There are differences between it and the original plan prepared by the commission, especially in relation to traffic because the traffic situation had changed, the pressures had grown. Generally, the plan for the area was contemplated for similar use by both the commission and the planners they had engaged.

Mr. BARNETT: I wonder at this point if perhaps we could have a more detailed answer to the question I raised with respect to the retention of passenger rail lines in relation to the proposed driveway, the question of what effect that would have on the vehicle traffic pattern in the city, either in connection with the commission's driveways or with the city's traffic arteries.



Gen. CLARK: Mr. Chairman, in answering the question I cannot be absolutely specific because measurements and all sorts of things come into play. I do not believe this could be done very easily. I do not think it would be possible to have the driveway and have enough room for the railway lines into the present Union station area. I doubt the amount of land would support both the railway and the driveway.

Mr. COWAN: There are two sides of the canal.

Gen. CLARK: We have the driveway on the west bank of the canal which runs through Confederation square down alongside of the canal to Dows lake, and connects into Carling avenue on Highway 16. This was, I believe, the first driveway that was built by the Ottawa improvement commission started around 1900. That is the one on the west side.

Mr. COWAN: I was born here in 1902. Thank you for telling me.

Mr. BARNETT: I understood General Clark to tell us that the commission plans a four-lane driveway running from the proposed Union station site to the area of the present Union station. In relation to his remarks about space requirements, a double track railway dividing a two-lane driveway requires substantially more space than a four-lane driveway, to the extent that it would make such a plan unfeasible or inadvisable.

Gen. CLARK: I cannot give a definite answer to that.

Mr. BARNETT: And the levels in respect to underpasses and overpasses are very important matters.

Gen. CLARK: Grade separation would definitely be required no matter how you do it. If you tried to put the driveway and the railway lines in wherever they intercept you would have to have a separated crossing. I think it would be very difficult. How much space a two-lane driveway and two-line railway would require I would have to check very carefully. I would think it would require more. I would have to check this.

Mr. BARNETT: Let me put my question in a different direction. Suppose, just for the sake of discussion, a two-line railway were substituted for the present proposal for a four-lane driveway, what effect would that have upon the commission's plans for driveway development and what effect would it have upon the general traffic pattern and flow in the central area of the city?

Gen. CLARK: There is no doubt you could put in a double-lane track rather than a driveway. That would present no problem. You would then have to start grade separating the Queensway and the railway line, because where the Queensway has to cross the rail lines you would have to redesign to bring it over the railway.

Mr. BARNETT: As I understand, it, under the original plan of postponing the abandonment of Union station the Queensway would have had to cross over a fairly extensive area of railway track.

Gen. CLARK: That is right.

Mr. BARNETT: Has the commission considered the difficulties in relationship to the Queensway crossing over, and I am using the two-line railway which as a line I am assuming might be sufficient to facilitate movement of passengers in and out from the area?

Gen. CLARK: It was one of the considerations in the commission's recommendation not to leave Union station where it is and then move it at a later date but to get it out before the Queensway was completed so one would not have to provide these grade separations which would then no longer be needed.

The commission was always contemplating moving the railway station. The question was to which location. The first, as I mentioned, was Walkely



road. Then it was decided that if you leave the station in operation and build the Queensway you would be faced with great separating structures. That was one of the features that led to the recommendation to the government to change the site to Alta Vista and remove the lines much earlier than had been contemplated.

Mr. BARNETT: What other grade separation in addition to the Queensway would be required or desirable if the rail line was left running through that area?

Mr. PETERS: Another \$3 million?

Gen. CLARK: I do not know. I do not believe I can answer this one. One could say there would be no more grade crossings. If one wanted a crossing, if there was pressure for traffic to cross, one could say it must be by elevated structure. This pressure would have to be great.

My presumption is that one would never build a level crossing in that area because when the traffic gets to a certain volume the board of transport commissioners, I understand, order for safety reasons, that there should be no level crossings. My presumption would be that they would be elevated.

Mr. PETERS: Would it not be correct to say that because of the relationship between this traffic on the railway that I have been talking about to the canal that the number of crossings in any event would be fairly restricted or limited?

Gen. CLARK: Yes, I would think, Mr. Chairman, they would be limited. If you leave the railway lines they are limited now. I would presume they would remain limited.

Mr. PETERS: It seems to me this is the sort of information that goes to the very nub of the question in the minds of some of us. I wonder whether in a general way at least we could have some information and some estimates of the cost involved in this sort of proposal without too much delay or difficulty.

Gen. CLARK: Yes, we could make estimates on this. It depends on the refinements you want. If you want a precise estimate we would have to engage consultants. We do not have a staff large enough to make a tentative design and get a precise estimate such as you would place before the government for approval. I think that we could come close enough to have a good round estimate on this.

In this connection I would think that one would never consider trying to do both. I think it would be the railway or parkway. I doubt that it would be a good operation and we should not try to make an estimate of the cost of both.

Mr. BARNETT: Will you ascertain whether the committee would be interested in having this kind of information? I certainly as one member would be very much interested in having that kind of information to the degree of accuracy that has been indicated.

The CHAIRMAN: You appreciate that your proposal is rather general and you cannot expect more than general figures. General Clark has said he is willing to give us that type of answer.

Your proposal is rather broad. You mentioned a double line from Union station to the new station and also the two lane highway instead of the driveway. Those are things which have not been contemplated by the commission, as I understand it. We cannot expect more than a general figure. Is that what you want?

Mr. BARNETT: I think we could get an idea on this point. Naturally on the question of whether a double line would provide passenger service, I think that is something we can ask the railways about rather than Gen. Clark.

The CHAIRMAN: Is that the wish of the committee? They are prepared to do their part in providing some information. Mr. Millar.

Mr. MILLAR: Could I ask a supplementary question? The Queensway is one that is going to be used to cross over. You have four lanes on the Queensway. There have to be overpasses in this locality anyway. Is this not true? It does not matter. It has to have overpasses any where you are going to run the line across.

Gen. CLARK: There is an interchange loop with the Queensway, that is true; you have to have it with that volume of traffic. You have to separate traffic.

Mr. MILLAR: It is separated anyway? Is it not also possible to put a road on top of the railroad.

Gen. CLARK: Yes, it would be. It might be possible to depress the grade. It might be possible to depress the grade from an engineering point of view, depress it and put the road on top of it.

Mr. MILLAR: Is it not also true that you intend to raise the grade for the whole area? The plans call for considerable fill in that whole area.

Gen. CLARK: I do not know about fill in the area. I will ask Mr. Macdonald to answer that.

Mr. D. L. MACDONALD: The Parkin proposal contemplates a certain amount of fill in the present station area. It does not contemplate any fill south of Laurier, that is from Laurier avenue to Deep Cut which is the longest distance of rail line.

Mr. PETERS: It is quite feasible, Gen. Clark, to put in an eight or 10 foot tunnel and run your four-lane highways over the top of this.

Gen. CLARK: Yes, that is what we had in mind. I cannot see any technical problems; unless the railways are aware of some, as long as you can get proper grades. This would seem to me to be a feasible plan.

The CHAIRMAN: Mr. Millar.

Mr. MILLAR: Gen. Clark, is it not a fact that the whole redevelopment plan as now laid out is hinged on the removal entirely of the damn railway tracks.

Mr. COWAN: Which railway tracks?

Mr. MILLAR: The damn railway tracks. I can make it even more definite!

Mr. COWAN: Specify whether C.N.R. or C.P.R.

Mr. MILLAR: All railway tracks including the station. Is that not the principle?

Gen. CLARK: Mr. Greber thought it was the key to the whole plan of re-developing the city.

Mr. MILLAR: Why are we wasting time talking about a possible railroad that is not needed? You are not supposed to answer that.

Mr. TARDIF: Do you know how many grade crossings will be eliminated by this new plan?

Gen. CLARK: About 70 grade crossings or level crossings.

Mr. TARDIF: Seven?

Mr. CARON: Are you going to do anything to the station in Hull?

Gen. CLARK: Yes, that will be renovated.

Mr. CARON: Do they intend to build on the other side of the station for Hull's railway.

Gen. CLARK: The plan calls for the renovation of the station in Hull.

Mr. CARON: Renovation? What kind of renovation can they make on that? It is an old shed. I do not see what kind of renovation they can make in Hull.

The CHAIRMAN: Are there any more questions of Gen. Clark?

Mr. CARON: I would like to know what kind of renovation they intend to make in Hull.

The CHAIRMAN: Can you answer that?

Gen. CLARK: In general terms the plan is to provide adequate parking and to enlarge the building and to fix it up.

Mr. CARON: When it comes to Ottawa you have a definite plan. When it comes to Hull there is no definite plan. Is it not possible to do something definite for both sides of the river? We are both in the National Capital Commission. We expect to have something equivalent, not as big, but something as important on the other side.

Gen. CLARK: As I mentioned, the plan is not to build a new station in Hull but to renovate the one that is there and make certain changes in the railway connections in Hull. Mr. McQuarrie, would you show the changes in the railway lines in Hull on the map.

Mr. McQUARRIE (*Railway Consultant, National Capital Commission*): At the present time passenger trains from the north shore, from the north side of the Ottawa river come down to Hull across the Interprovincial bridge into the present station. There are no passenger trains operating into what we call Hull west. It is strictly a freight and express terminal. With the taking away of the Interprovincial bridge all the passenger trains from Montreal along the north shore will come down through Hull, through Hull west, and across the Prince of Wales bridge into Ottawa west and down to what they call the Prescott sub-station line of the C.P.R., under the Queensway, across Carling avenue and then into the new station. In Hull now the C.P.R. have two stations, one they call the Hull Beamer station, which is near Brewery Creek, and another one called Hull west, near Montclair I believe. The Hull west station will be the only remaining station in Hull serving passenger trains from the north shore of the C.P.R. and it will require substantial remodelling.

Mr. CARON: Not substantial remodelling, you will have to rebuild. It is an old shed. I know the plan was to have a north station and a sub-station. That was the first plan. I know Ottawa is important in the capital district, but Hull is important. You cannot use that just to pass into the Gatineau woods. You have to deal with Hull itself. You are not dealing with it at all. You are throwing it to the boards. I do not like this. I think there should be a plan for Hull the same as there is for this side of the river.

The CHAIRMAN: All right, gentlemen. Mr. Caron, that is the answer General Clark can give.

Mr. CARON: I am not satisfied.

The CHAIRMAN: You will have to make your representations to the capital commission and the railways.

Mr. CARON: I would like the capital commission to do the same thing in Hull.

Mr. COWAN: I would like to point out that these plans have been under consideration since 1956. That is 8 years ago. They have not been brought before the railway committee to any extent. Could you advise us? I know you are an experienced man in this field.

I would like to ask this, Mr. Chairman: this bill came before us on November 26. I notice in Clause 26 on page 17 of this bill, S-33, it is stated that the transfers of land and facilities shall take place on January 2. This gives us 37 days and there are only five Sundays, six Saturdays, Christmas Day, New Year's Day and Boxing Day between now and January 2. I think this time limit is too extensive. Could it not be shortened up? It is right there on page 17, Clause 26.

Mr. FISHER: The Senate has done its part.

The CHAIRMAN: I count on you, Mr. Cowan, to bring up the important points.



Mr. COWAN: I would like to ask a question regarding the taxi services. Are these two gentlemen witnesses before us now?

The CHAIRMAN: Mr. Cowan, we will come to that in the bill. There are sections definitely dealing with these specific matters.

Mr. COWAN: I do not want the witnesses to go away and find out later that we need them.

Mr. FISHER: Before we get into the bill are we going to have an opportunity to examine the spokesman for the railways, for example, Mr. Macdougall?

The CHAIRMAN: I thought the examination of these gentlemen would come on the specific sections of the bill because that is what they are interested in. I would not like to open discussion on the sections of the bill at this moment.

Mr. FISHER: I wanted to find out the relationship between this new company and any contracts that exist at the present time between railway management and its employees. I want to know about that relationship. I cannot find anything in the bill.

The CHAIRMAN: Would you agree they should be allowed to do that when we get into the bill?

Mr. FISHER: If this committee is agreeable.

The CHAIRMAN: Shall we proceed with the bill?

Mr. PETERS: No, I am interested in a number of other things. I would like to ask what relationship the present authority operating Union station has with the capital commission? Who is Union station?

Gen. CLARK: The Union station is owned by the Canadian National Railways.

Mr. PETERS: What about New York central and C.P.A.? What authority runs Union station at the present time? I am not sure.

The CHAIRMAN: Mr. Peters, after we got through the bill I intended to call Mr. Macdougall.

Mr. COWAN: Might I answer his question?

Mr. PETERS: What we are doing is establishing authority. This is what the bill says—to establish the terminal railway company which is really authority for operating the new terminal set up. I do not really know who runs the present one. I do not know how the capital commission gets involved in this at all. I know there is an appendage. I know this agreement has been signed by the capital commission and members of other parties. I am not sure whether they used undue influence to force the agreement to establish this terminal or whether the railways would like the right to come and say we want to maintain the Ottawa terminal where we have it now.

It appears we are changing the status quo of the operation of Union station, and in return for this we are substituting another authority. I would think parliament established the Union station authority in the first place. We gave grants and leases and these companies probably got together and made these arrangements. I think we should call on the participants to the present railway set up before we go into the bill.

The CHAIRMAN: That is why I suggested we get to Clause 1 and call on Mr. Macdougall. Then you could discuss the whole matter of Union station and the Ottawa terminal company with Mr. Macdougall. I should also ask Mr. Spence, counsel for Canadian Pacific Railway to sit down as a witness as they are also involved.

Mr. PETERS: Mr. Macdougall, what was the arrangement for the operation of the Union station and how did it originally start?

Mr. J. W. G. MACDOUGALL, Q.C. (*General Solicitor, Canadian National Railways*): You are interested in the present station, the Union station as it is now?

Mr. PETERS: I do not know. Is there an arrangement pre-dating the present one?

Mr. MACDOUGALL: Well, I am not sure of the exact history back to the very beginning of the railroads in Canada. The present station was originally built by the Grand Trunk Railways. Canadian National, as successor to the Grand Trunk, is owner of the station, the station premises and property. We have an agreement with Canadian Pacific whereby Canadian Pacific has the use of the station and facilities. Canadian National operates the station. The employees are Canadian National's. Canadian Pacific Railway pay for the services that they receive. I think the ticket sellers in the station for Canadian Pacific are their own, but otherwise the employees that operate the station are Canadian National's employees. Under the agreement Canadian Pacific pays for the services it receives in accordance with the terms of the agreement.

Mr. PETERS: How do you own the station facilities and the trackage, under what basis do you own these?

Mr. MACDOUGALL: They were originally built by Grand Trunk.

Mr. PETERS: Was that a grant from the federal government? Was this land granted by the federal government?

Mr. MACDOUGALL: I cannot answer the question. Grand Trunk came into the city of Ottawa and built here. How they acquired title to the land I am not sure. This was part of the property owned by Grand Trunk at the time of amalgamation.

Mr. PETERS: If you do not know how you own it, how can you give it away?

Mr. MACDOUGALL: When the title deeds are proved, when the land transfer is made, this will be dealt with in the normal way and transfer will be made. Our records show we own title to the land in fee simple now.

Mr. PETERS: The operation, you say, is owned by Canadian National and Canadian Pacific operates out of it on an agreement basis.

Mr. MACDOUGALL: They are lessees of ours in the area. This is quite common in railways. This is not an unusual situation. You have a union passenger terminal or some joint facilities.

We have numerous agreements of this kind in Canada and the United States railways do the same. One railroad operates the terminal and the others use the facilities under an agreement.

The CHAIRMAN: Mr. Peters.

Mr. PETERS: Would it be a fair question to ask the witness if he is familiar with the passenger studies that have been made of the commuter services, particularly in the cities of Montreal and Toronto in relationship to this stage?

Mr. MACDOUGALL: No, I must confess I am not familiar with the details of these studies.

Mr. PETERS: I am wondering if you can tell why the union station in Montreal, Canadian National, has been moved into what must have been an immensely expensive location in the basement of the Queen Elizabeth hotel.

Mr. CARON: The hole was there.

Mr. MACDOUGALL: You will remember, Mr. Peters, in the days before Canadian National was formed Canadian Northern Railways came into Montreal from the north and came to the town of Mount Royal, and from Mount Royal it went to the present location of the central station, quite near it. Grand Trunk came in to what is now Bonaventure.

Mr. PETERS: Yes, it used to be Bonaventure.

Mr. MACDOUGALL: As planning of the city developed these two railways developed. These two railways both came into Canadian National. Presumably long before my time somebody decided the thing to do was to have one station and, as someone mentioned, the hole was there and the station was brought in to that point. After that, of course, the development went right on.

Mr. PETERS: Then underground railways in the city required some maintenance.

Mr. MACDOUGALL: Yes, of course.

Mr. PETERS: If there was no advantage in having passengers get off in the downtown section would it not have been to Canadian National's advantage to put it out in say, Dorval?

Mr. MACDOUGALL: As you probably know in a big city like Montreal we have quite a volume of passengers coming from a number of stations. For example, Dorval is now a fairly substantial station. It has grown up in recent years. The Town of Mount Royal is a fairly substantial passenger station for people in the north end of the city. Of course you have Westmount and Montreal west on the C.P.R. which draw a lot of people. Montreal is served by a conglomeration of stations, some in the centre, some in the peripheries.

Mr. PETERS: Would it be your opinion that Canadian National could, instead of having a downtown terminal, put the terminal on the trans-Canada highway on the northern periphery of Montreal?

Mr. MACDOUGALL: You realize people that come to Montreal central station do not, of necessity, want to terminate their journey in the downtown section of Montreal. Many go to Mount Royal, Montreal east, Montreal west and so on.

Mr. PETERS: Which has provided a lucrative business?

Mr. MACDOUGALL: I do not know that anyone will agree with you on a generalization that the passenger business is lucrative business. I do not think it is.

Mr. PETERS: This raises a very good question. Are you interested in passenger facilities?

Mr. MACDOUGALL: I think the activities of our company speak for themselves. They are well known throughout the country.

Mr. PETERS: I ride on Canadian National coming from western Canada. I have had considerable difficulty getting them to make connections with connecting railways which, by law, they have to do. I do not say this is the general situation; it may be specific. I am not sure it is generally true. If it is true, is there not some advantage in Canadian National providing as acceptable accommodation as possible for the travelling public?

Mr. MACDOUGALL: This is, of course, what we try to do. The job of a railway, like the job of any industry, is to decide what its customers want and try to provide for their wants. Many customers want directly opposed things to what another customer wishes to have. You have to take all this into account and you do the best you can with the limitations and disadvantages. We do the best we can. We think we do a pretty good job of trying to look after our customers in our passenger trains. There are always exceptions. Generally speaking we are interested in doing the best we can.

Mr. TARDIF: On a point of order, I find difficulty in knowing what the questioning being pursued by my hon. friend has to do with the bill or any section of the bill. I think we are wasting a lot of time when we are talking about everything else except what is in front of the committee.



The CHAIRMAN: I do not think we have wasted too much time. I was going to suggest to Mr. Peters that I had thought he wanted to put questions to Mr. Macdougall as to the relationship of Canadian National Railways and Canadian Pacific Railways and the National Capital Commission. Mr. Macdougall is counsel for the railway. We are not examining Mr. Gordon at the present time. We will have that pleasure in about three or four months from now.

Mr. PETERS: I will apologize to Mr. Macdougall. I thought he was an official of the railroad. My point, Mr. Chairman, on a point of order, is that I think we have been asked to give up a facility that we have. Canadian National, very remotely, belongs to the Canadian public. They already have facilities that provide 85 per cent of the traffic of businessmen entering the terminal in downtown Ottawa. We are now being asked to form a new agency which will take that downtown terminal out of the downtown area. It seems to me, therefore, this causes the businessman the cost and the disbursement of hiring other transportation facilities than railroad to bring him where he is already coming now.

Mr. TARDIF: There is nothing in this bill that discusses relocation of the station. It talks of forming the Ottawa terminal railway company for the purpose of delivering freight and other things from the station to other parts of the city. I see no section dealing with relocation of the station. If you can show it to me I will be glad to stand corrected.

Mr. PETERS: I think that question should be directed to the Chairman.

Mr. CARON: Clause 9.

The CHAIRMAN: If the company is going to be incorporated it is for the purpose of operating at a certain location. There is very little in the bill after the beginning that is of interest to members to discuss. I will admit that. Section 9 says that the company may acquire, construct and operate a railway and related facilities in and about the city of Ottawa for the purpose of providing a transportation terminal. We could get into it on section 9.

Mr. TARDIF: Section 9 does not talk about relocation of the station, which is something that is already decided.

The CHAIRMAN: We are examining the fact. This is a committee of the House of Commons. It is entitled to information on how that decision was arrived at. I will agree with you, this will not change the location, but the committee is entitled to know how the decision was arrived at.

Is Mr. Peters through?

Mr. PETERS: I would like to ask the Chairman how he arrived at the conclusion it will not be changed. We people of Canada own the Canadian National Railways' Union station in its present location. We are the people who are going to have to decide whether or not it is changed. Canadian National Railways are responsible, I guess, to us for this change. I do not think this is an irrevocable decision.

The CHAIRMAN: I am not saying it is irrevocable. Parliament is the master of everything. Under this bill you cannot change it. You are not going to put a clause into the bill unless you move it in the house. You are not going to add a clause saying the railway shall be located somewhere else.

Mr. COWAN: You could not pass the bill.

The CHAIRMAN: That is all you can do.

Mr. PETERS: Could I change the direction of my question? There is an appendage attached to this bill, there is a memorandum of an agreement that has been signed by a number of participants, Canadian National Railways, Canadian Pacific Railway, the National Capital Commission, and maybe others.

What position did Canadian National Railways take in relation to the establishment of this memorandum of agreement in terms of trying to maintain or retain present facilities on a passenger basis in the downtown Union station?

Mr. MACDOUGALL: I think, generally, Mr. Chairman, if the National Capital Commission had not been in the picture Canadian National Railways would have been quite satisfied with the Union station. The station is there. Our operations are there. As far as the station is concerned, we are quite happy to leave it there. The development that has occurred has been a development of the National Capital Commission plan; and this is not something that the railroads, at least Canadian National Railways, has sponsored. We are a railroad in the city of Ottawa; and the Canadian National Railways plan developed, and we were asked to co-operate and do certain things. There are many good things in the capital plan. This is not our responsibility.

Our responsibility was to co-operate with the commission and to do what we could. We worked on the basis; and as far as our company was concerned, we would not be adversely affected, particularly from this development. We would be made whole with respect to what the National Capital Commission was to bring about in the way of changes in Ottawa. On the basis that we would be made "whole", we did not feel we could stand in the way of the National Capital Commission plan. We co-operated. There may be some things we do not like. There may be things we would do in another way. This is the planning of the National Capital Commission. This is the arrangement. We have gone along with it.

Mr. PETERS: Do you believe that this plan dating back to the Greber plan in 1915 was a *fait accompli* at that time and that there was no possibility of change?

Mr. MACDOUGALL: We accepted what we understood has been the decision, that the plan will go forward in the form in which it is presented here. We have not attempted to fight it, you might say. The plan is made. We have been told these arrangements will go forward. We have accepted that and gone forward in that light.

Mr. PETERS: Was any consideration given by the railway to the possibility of a change?

I think the witness will agree there has been some change since 1950 in railway riding as far as passenger services in the city. Is it not true that in 1950 you still had steam engines, and the environment of your operations in the city was considerably different than it is with the total diesel lines? Even in the terms of the National Capital Commission, which is thinking of beauty, this has made a considerable difference.

Mr. MACDOUGALL: I do not know that those were factors that weighed very heavily in the development of the National Capital Commission plan. That is not to my knowledge.

Mr. PETERS: The old steam burners must have had some disadvantages. Could I ask if any proposal was made to maintain the passenger terminal in the present location?

Mr. MACDOUGALL: Well, I explained our basic position only has been that, and therefore we have been asked to accept something else. We feel we can live and work with what has been proposed.

Mr. PETERS: Did you feel you could make proposals such as suggested by my friend from Comox-Alberni that the downtown terminal be limited to passengers and baggage and that would meet the needs of the travelling public? Were you prepared to make proposals or was the railway of the opinion this was a *fait accompli* and that they really could not meet that suggestion?

Mr. MACDOUGALL: I am sure these points were discussed. I think the major point was that this was National Capital Commission planning and the railways were being asked to make certain changes to remove railway lines and consolidate facilities. There was going to be great improvement and we hope more improvements will develop to our freight traffic on an over-all basis. I am sure all these things were discussed in detail. Our position was basically that the National Capital Commission was the planning commission and we were willing to co-operate and do everything we could to fill requirements as long as we were made whole in the process.

The CHAIRMAN: Mr. Fisher?

Mr. FISHER: I would like to ask a couple of questions with respect to the relationship of Canadian Pacific Railway and Canadian National Railway in the sense of being partners in terms of control and contributions.

Most of us have noticed there is a development in Canadian Pacific Railway that would indicate real efforts toward eliminating their passenger service altogether. I was wondering whether the co-operative framework would inhibit Canadian Pacific Railway by making it difficult for them so to eliminate their passenger services here in Ottawa?

Mr. SPENCE: I do not think so, Mr. Fisher. To start with, I think you are referring to some public utterances by senior officials of our company?

Mr. FISHER: Yes.

Mr. SPENCE: Recently, and I think they were merely pointing to a trend which we find pretty well all over Canada of diminishing patronage by passengers of the railways.

Now, we do not discontinue our trains that make us money, and we hope that that trend can be delayed, or stopped. We have not found that in the Ottawa area it has been as marked as it has in some other places, and we hope that we will serve Ottawa for many years with passenger trains.

Mr. FISHER: In the presentations before the Senate committee, some of the witnesses got off in the future 70 years, with hovercraft and heliports, and it seemed to me that people are looking very far ahead, and I wondered if C.P.R. has considered the fact there are some indications that policy had changed, and they may pull out of passenger service altogether?

Secondly, I inferred from Mr. Crump's remarks that C.N.R. and C.P.R. were looking forward to the day when they would be out of passenger service, whether it is remunerative or not. It seems to me, from looking at the act, that the commitment of C.P.R. to this development is a very real thing; for in a few years there would be a difficulty, or embarrassment to it.

I could point to previous joint arrangements, such as the Vancouver Hotel, which at the beginning appeared to be fine, but at the end was not working out at all. I just wondered whether C.P.R. considered any release clauses, or the possibility of getting out of this whole matter?

Mr. SPENCE: No, I do not think that we had any release clauses put in the memorandum of agreement. Nobody can predict what is going to happen; things develop so fast these days that you just cannot tell what the situation may be 40 or 50 years hence. It may be an entirely different world, but at the present time we are trying to make money out of the passenger business as best we can, and to do that we have to have modern and comfortable and sufficient facilities.

Mr. FISHER: There is one other point that you may be able to clear up for me: The trend of the evidence, as I have been able to read it, is that this is primarily a shift of passenger facilities and passenger lines to the outskirts of



Ottawa. I agree with my friend from Timiskaming that it is a good idea, and it will be an improvement for Ottawa most ways, but I see provisions for piggyback, and what looks to me like a truck terminal there. Now, this brings up a much larger question, and it also concerned the senators when they were considering this, and that is the whole relationship of the truck transportation to this complex. Now, an amendment was accepted in the Senate to one clause of the bill that specified that this was related to, in and about the city of Ottawa, but I am a bit confused. If this is the case, that it is primarily a facility that would tie in with the passenger service and the express service that is offered by the railways in the Ottawa region, why these plans for a piggyback, and what looks to me like a truck distribution terminal, and naturally this raises the question of how open that terminal will be to other carriers.

The CHAIRMAN: Mr. Fisher, I was just hoping that we would get on that subject when the proper section is reached in the bill, because that will be open for discussion, I am sure.

Mr. FISHER: I know it will; I just wanted to get some idea of the over-all plan of the railways in regard to this terminal company, and the scale of operations there. If it is merely a passenger terminal, with the kind of ancillary services you will offer in terms of baggage and express, fine, but if that is a thorough-going, complete transportation terminal, with piggyback service, and provision for trucking, and so on, there are some questions that come to my mind about the kind of plans that both these railways have in it.

The CHAIRMAN: I think we will wait until we get to the proper section.

Mr. FISHER: I have a question on the relationship of this new railway company, the Ottawa Terminal Company, and the agreements which now exist between the company, and their employees, and I would just like a statement from Mr. Macdougall in respect of what is involved. I notice that every section of this act, in a sense, is covered by the jurisdiction of the Railway Act, but I also understand that some of the agreements which exist between the railways and their employees come under other federal statutes, such as the Industrial Relations and Disputes Investigation Act, and so on.

Mr. MACDOUGALL: Well, Mr. Fisher, you will realize that the bill is directed entirely to incorporating a railway company, and setting out therein the powers of that company and its object. The company that is to be incorporated is to have the same basic status as the two parents, Canadian Pacific Railway and Canadian National Railways, in that it will be a federal incorporation, it will be a national company, it will be subject to the Railway Act, and it will be subject to the Industrial Relations and Disputes Investigation Act, and so forth. So the purpose of this type of incorporation is to put it on the same level as the Canadian National Railways and the Canadian Pacific Railway. Therefore, basically, the statutes that apply to them because they are federal railways will apply to this company in just the same way.

Mr. FISHER: Well, what will be the employment picture of this company? For example, I would imagine that some of the present employees at the union station would be covered, and some of the services that have been divided by the Canadian Pacific Railway are covered by men who belong, say, to the Canadian brotherhood of railway workers, the general transport workers, and so on. Is there any possibility that any new job opportunities, and the different kind of employment, will lead to a separation of these people from their old relationship with the C.N.R. and C.P.R., and put them in a new framework, which may have a different bargaining set-up?

Mr. MACDOUGALL: I do not know if I can say anything particular on that. The state we are at now is to get the terminal incorporated. There has got to be detailed discussions between the railway companies with regard to the future method of operation. There has got to be discussions between our Canadian National Railways and, I presume, the Canadian Pacific Railway, with their employees. We have already had preliminary discussions, but there has got to be detailed discussions, when it is decided how the terminal will operate, and how the employees will be fitted into this in a way that will cause the least adverse effect on anybody. We hope that in future this new concept in Ottawa, with much greater industrial land available for development, and what we hope will be a more economic and effective operation here, will produce a much better, and we hope bigger, railroad for the city of Ottawa, and for the benefit of the railroad companies, of course, and the employees, but at the moment we have not reached the stage where we have detailed discussions with the brotherhoods. They will be the same brotherhoods we are dealing with now, and these things are being considered, and the brotherhoods have been informed up to this point.

Mr. FISHER: Well, I understand the C.N.R.—this has nothing to do with the Canadian Pacific—has a five year plan for 1965 to 1970 for changes and consolidations of all its services, the whole question of handling freight and express, and so on. Are these plans worked out in detail for the Ottawa portion, taking into account this new company?

Mr. MACDOUGALL: Subject to what others may know about this much greater than I, the plans you refer to are basically the general planning plans, if I may use that expression, of the railway. In recent years, we, in our planning, have followed the practice of making a plan for the following year, and a plan looking ahead for five years. This seems to be a rational and intelligent way to look at the railway business. A plan does not necessarily mean that all the decisions have been made and a button will be pressed and certain things will go into motion and that is the way it will go for five years. It is the planning process of, perhaps you might call it accurate and detailed planning for a short period ahead, say a year, and general planning of how we will proceed to certain objectives we think desirable over a period of five years, and possibly there are people looking 20 years ahead. I hope there are, but I do not think there is anything immutable in what happens in Ottawa. We are getting the company into operation before we start the detailed plans of how we will relocate the railway and terminal facilities in the city of Ottawa. This is not going to take place in one day, that everything is accomplished and done, and the change will be made that will complete the arrangements. We expect that the next three years will be occupied in gradually developing this plan of organizing this new Ottawa rail set-up.

Mr. FISHER: From the employees' point of view they will have their normal negotiating opportunities?

Mr. MACDOUGALL: Yes, they certainly will, and the thing will take place over a period of time. I have heard it said that it will probably be the end of 1966 before there is real life breathed into it.

Mr. FISHER: Do either of you gentlemen know whether any discussions have been held with the bus transportation companies in connection with providing them with any leases, land, or arrangements there?

The CHAIRMAN: I wish you would leave that until later, Mr. Fisher.

Mr. FISHER: All right.

Mr. REGAN: I have one supplementary question arising out of the point made by Mr. Fisher, and that is with regard to the position of the employees of the new company in the future, and not only their wages, but the other advantages that they presently have under the Canadian National Railways, I am struck by the thought that the economic bargaining position as members, or as employees of this new, small company will be nowhere near as strong as their present position as employees of a company that has established a record of reasonably good labour relations, and a company in which, by their numbers and the size and nature of the company, they are in a very strong position. I wonder if there is any thought of giving assurance to the employees who are presently employees of the Canadian National Railways that this new company will, in its wage policy and in other policies towards the employees at all times, carry on a program as generous as that of the two railways in this country, the Canadian National Railways and the Canadian Pacific Railway.

I think that some sort of assurance along those lines should be given to the employees who are in the position that they are presently employees of the Canadian National Railways, and who are being asked to become employees of this new company.

Mr. MACDOUGALL: Well, I think that is a very good point, Mr. Regan, and I am glad you raised it. As I told Mr. Fisher, the details of this have yet to be worked out, but we have certainly assured the employees' representatives that the position of the individual employee who remains working here in Ottawa will not be worsened. He will retain his pension rights, and all the benefits he has had. The matter of his wages, and so on, will be bound up with the wages of the railway employees generally in Canada. As you know, non-operating unions bargain in a group collectively. Those that are here in the Ottawa terminal company will be part of that bargain group.

The CHAIRMAN: We will adjourn now until after the orders of the day.



HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

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TUESDAY, DECEMBER 1, 1964

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Respecting

Bill S-33, An Act to incorporate the Ottawa Terminal  
Railway Company.

WITNESSES:

*From the National Capital Commission:* Lt. Gen. S. F. Clark, Chairman  
and Mr. D. L. Macdonald, Railway Commissioner. *From the Canadian  
National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General.  
*From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission  
Chairman and Mr. George Pogue.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman: Jean T. Richard, Esq.*

and Messrs.

Armstrong	Godin	Marcoux
Balcer	Granger	Matte
Barnett	Greene	McBain
Basford	Grégoire	Millar
Beaulé	Guay	Mitchell
Béchar	Gundlock	Muir ( <i>Lisgar</i> )
Boulanger	Hahn	Nugent
Cadieu	Horner ( <i>Acadia</i> )	Olson
Cameron ( <i>Nanaimo-</i> <i>Cowichan-The Islands</i> )	Howe ( <i>Wellington-Huron</i> )	Pascoe
Cantelon	Irvine	Peters
Cantin	Kennedy	Pugh
Caron	Korchinski	Rapp
Cooper	Lachance	Regan
Cowan	Laniel	Rhéaume
Crossman	Latulippe	Rock
Crouse	Leblanc	Ryan
Éthier	Lessard ( <i>Saint-Henri</i> )	Southam
Fisher	Macdonald	Stenson
Francis	MacEwan	Tardif
	Mackasey	Tucker—60

(Quorum 12)

D. E. Lévesque,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

TUESDAY, December 1, 1964.  
(17)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9:45 o'clock a.m. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Messrs. Armstrong, Barnett, Beaulé, Béchar, Cantin, Caron, Cowan, Crossman, Fisher, Hahn, Leblanc, Lessard (*Saint-Henri*), MacEwan, Mackasey, Olson, Pascoe, Peters, Regan, Richard, Rock, Stenson, Tardif and Tucker—23.

*Witnesses:* *From the National Capital Commission:* Lt. Gen. S. F. Clark, Chairman, and Mr. D. L. Macdonald. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railways:* Mr. K. D. M. Spence, Commission Council, and Mr. George Pogue.

The Committee resumed its consideration of Bill S-33, An Act to incorporate the Ottawa Terminal Railway Company.

Clauses 1, 2 and 3 were adopted.

Clause 4 was allowed to stand pending additional information from Mr. Macdonald.

Clauses 5 and 6 were adopted.

On Clause 7, Mr. Caron moved, seconded by Mr. Beaulé—

That after the word "ten" in line 10 page 2, insert the words "at least two of which shall be French Canadians". (*Translation.*)

The Chairman put the question and the motion carried by a show of hands, Yeas: 8; Nays: 7.

Clause 7 was adopted as amended.

Clauses 8 and 9 were adopted.

At 12.30 o'clock p.m., the examination of the witnesses still continuing, the Chairman adjourned the Committee to Thursday, December 3, 1964, at 9.30 a.m.

D. E. Lévesque,  
Clerk of the Committee.  
(*Pro tem*)

*Note—The evidence, adduced in French and translated into English, printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.*





## EVIDENCE

TUESDAY, December 1, 1964.

(Text)

The CHAIRMAN: Gentlemen, we have a quorum.

I am very hopeful that we can make some progress today with the bill before us. I would remind the committee that this bill has to do with the incorporation of a company to administer a terminal in Ottawa. Wherever the terminal may be located eventually, the terms of the incorporation apply.

I hope that after what I would term the long discussion that we have already had on the proposed site—and some will call it the actual site—of the terminal in Ottawa we will not extend that discussion at too great a length but rather proceed to the articles of the bill, which do not deal with the location but, as I said before, with the administration of the terminal wherever it might be located. However, I am in the hands of the committee.

I know that before we proceed with the sections some members of the committee will have some questions to ask of the officers of the railway companies who were before us last Thursday, so I will call upon Mr. Macdougall and Mr. Spence to sit here.

The meeting is open to questions.

For the information of the committee, we are still on clause 1.

Mr. BARNETT: Mr. Chairman, while I appreciate what you say about the technical situation as far as the bill is concerned, I would agree with you that the principle of the incorporation of the Terminal Railway Company is really not in question. As far as I personally am concerned, I think it is quite evident from some of the questioning that took place in our earlier session that the main point of interest, at least as far as some of the members of the committee are concerned, is the question of location of a new station.

I for one would like to take advantage of the opportunity of having heard from General Clark of the National Capital Commission and to take advantage of the fact that we have representatives of the railway companies here because I think their point of view on the matters involved should be important to the committee.

The CHAIRMAN: Will you go ahead, Mr. Barnett.

Mr. BARNETT: I would like, quite frankly, to know something of the viewpoint of the railway companies on the proposed change which involves moving the railway station from what some of us think is a very convenient and central location for—according to figures that I have digested from the Senate committee evidence—a very large proportion of the travellers coming into Ottawa by rail.

I have not the quotation before me, but certainly when this bill was up for second reading in the house I gained the impression from the Minister of Transport that the railway companies themselves were not originally very enthusiastic about the idea of having the terminal diverted from a central location. In fact, if I remember correctly, he used the term that it took a good deal of arm twisting of the railway companies to get them to agree to the arrangements which are outlined in the schedule to the bill.

My primary interest is to find out what the railway companies feel about the removal of the station from the point of view of their passenger business

and their viewpoint on its relevant convenience for passengers, and also to know something of what would be the operating situation if, as some of us were suggesting or arguing the other day, provision were made for a new station, either an extension in effect of the proposed terminal or of the terminal of the city for operation of railway passenger trains.

Some of us were raising questions as to why it would not be quite feasible and practicable to have a line or two, or whatever would be required, to bring passenger trains into a terminal that could be incorporated in some of the new buildings or in the buildings planned and proposed for the redevelopment of this area.

I wonder if both the gentlemen who are here from the railway companies will tell us something about their viewpoint on the question.

The CHAIRMAN: Mr. Spence, Mr. Macdougall, have you any comments to make on that?

Mr. K. D. M. SPENCE, Q.C. (*Canadian Pacific Railway, Montreal*): Mr. Macdougall explained at the last meeting the position of his company, and I think he could very well have spoken for both of us.

We were not dissatisfied with the location of the station where it is now but this matter was put up to us as the whole reorganization of the plan of the city of Ottawa in the national interest, and Canadian Pacific certainly did not feel that it should try to obstruct or block that in any way.

As the plan developed and was put before us we could see that there were advantages as well as disadvantages in the new location of the station. For example, one of those advantages is that it will cut 10 or 20 minutes off the time of our trains. The disadvantage of returning to the present location would be that that time would have to be added to the schedules of our trains and the trains would have to be turned and backed into the station or turned when they came out of the station.

We realized also that the highway development of the area was going to put the location of the new station in a very convenient and accessible spot from the surrounding parts of Ottawa.

A large number of the office buildings and industries and so on are accessible to the Queensway. The station will be right on the Queensway. With those changes Hurdman might be a better location from the point of view of the whole general public of Ottawa than down in the congested part of the area where it is now.

We therefore tried to co-operate in every way we could thinking, as I say, that there were advantages to balance the disadvantages; and we did not think we should obstruct the plan.

Mr. BARNETT: I myself can see from the point of view of a resident of Ottawa that there might very well be some conveniences in the proposed new location, but the question in my mind—and it is indicated by the statement given in the evidence before the Senate—is that a very high proportion of the actual passengers travelling by train to Ottawa are people who come in from the outside to do business largely with various government offices.

Obviously, the major hotels are located close to the present terminal and there is a proposed large new hotel in that same area. It is obvious to me that it might suit the convenience and comfort of the very large proportion of railway passengers to be able to arrive at their hotel, as I suggested, in much the same way that passengers are able to arrive in the terminals in Montreal with the development that has been taking place there.

I think this is a concern of some of us. Those of us who are members for other parts of the country I hope will not be overbalanced in our judgment by the fact that we also happen to be people who do our business in a location close to the present station.



I am particularly interested in this matter of the comfort and convenience of passengers and therefore, I suggest, the relative attractiveness of rail traffic as against some other mode of traffic which at present exists because of the advantage of being able to step out of one's plane and into one's hotel.

Mr. SPENCE: May I just say a few words before Mr. Macdougall speaks?

I have not kept any statistics myself but I come to Ottawa very very frequently and I just wonder how many people do find this present location more convenient.

As I have stepped off the train I have watched to see where the people have been going. It does seem to me that the great proportion of the passengers after they come out of the gate turn to the right to the taxi stand or to the place where their own cars are parked. There are a few people who go across to the hotel; but I think the great majority go to the automobiles.

At the new station there will be much more accommodation for parking of cars and better accommodation for taxis. Therefore, from my own observation I think it may be just as convenient, if not more convenient, for the public at the new location as it is at the present location.

It is true that there will be a few people who will want to go to the Chateau and who will be unable to walk through the tunnel; they will have to take a taxi. However, the proportion of the people going to the tunnel and to taxis seems to be preponderantly in favour of those going to taxis.

Mr. COWAN: What will be the comparison of cost? What will be the cost of taking a taxi at the station and going wherever you want to go as compared to the cost of getting in a taxi at Hurdman? They have a short haul from the central station but they will have a long haul from Hurdman's bridge.

Mr. J. W. G. MACDOUGALL, Q.C., (*Canadian National Railways*): I do not know that you can make such a statement categorically.

Mr. COWAN: I did not make a statement; I asked a question.

Mr. MACDOUGALL: Well, I do not know that I would make the statement that because I was getting off at Hurdman's bridge rather than at Union station I would always have a longer taxi ride or longer transportation requirements.

The point you have made, Mr. Barnett, is interesting because we are concerned with the transport business and we are also concerned with the hotel business.

We were not enamoured of this idea when it was first proposed but it was proposed, and in examining the whole package our decision was that while there is good and bad in every major package one has to deal with, the problem is to weigh the good and bad, to weigh the complete thing and make the best decision in the circumstances. I think that is what was done. The railways were made whole in the working arrangement.

In the Lou Cather study which was made in 1960 for the National Capital Commission in connection with whence people were coming and where they were going, a pretty good idea of people's habits was given. Their finding was, you will remember, that of the total number of people coming to Ottawa approximately 8.7 per cent came by rail. That report gave the figure of 87.3 per cent coming by highway.

Of course, we are interested in the rail people; that is our interest. Therefore we wanted to know where they were going, and they broke this down to show that of the rail passengers coming here 28 per cent who come into Union station walk to their destination. Presumably those are the people coming in to the centre of the city so-called, the core of the city, as they are walking to their destination. Probably there is another group of people who come into the centre of the city but on some wider periphery, and they might take a taxi.

The Cather report figure was 28 per cent of the people who came by rail walked from Union station; this was in 1960.

Since that time, as you will recall, the Department of Public Works has moved to Confederation Heights; they were formerly here close to the centre. The Post Office Department has moved to Confederation Heights and the Canadian Broadcasting Corporation has moved to Confederation Heights. The Department of National Health and Welfare has moved to Tunney's Pasture, and the Department of Agriculture is preparing to move from the present centre so-called, farther out.

We have come to the conclusion, therefore, that if we were to make this study today we would probably find that of the 28 per cent fewer would walk from Union station to their destination because we know that a great preponderance of the people coming in by rail—I think somewhere around 50 per cent—were going to the Department of Public Works in respect of their daily business.

We have concluded that even the 1960 position, which was not too bad but nevertheless was not too favourable to us, has improved much in favour of the railroads because of the changes in the major departments which have moved away from the present centre, and we think we will perhaps be better oriented to the proposed new centre. Therefore our thinking has been that our position in this regard has improved. It was one of the things about which we were not too keen but we think it has improved because of the new location.

It is true that the proposed station will be approximately two miles away from Confederation square by road. You have heard General Clark talk of the proposals in that regard.

The other disadvantage we feel is that there may be some adverse effect on the Chateau Laurier patronage. As far as the Chateau is concerned, in 1954 our patronage by people arriving by rail was about 27 per cent of the total. We do not expect to lose much of this because we think it will be reasonably acceptable to the new station compared with the configuration that exists in other cities of the country, and we have provided additional parking in the rear of the Chateau Laurier. As you are aware, the over-all parking plan for the centre of the city contemplates additional space. So since our major volume is coming by highway we think we will pick up more coming by highway. If we happen to lose a little by rail, we do not think we will lose too much. In the over-all view we think the Chateau will not be affected very much taking all the considerations, both road and rail, into account.

There are some advantages that have to be considered at the new location. If you are thinking of the convenience of the person travelling by rail in a context of time rather than in one of miles or space, one advantage is that the new station will be located, as General Clark said, just off the Queensway and, as I understand the plan, the Queensway goes practically across the city of Ottawa. There will be good access north and south to the Queensway. People coming to the station and going somewhere in Ottawa or people working or living in Ottawa and going to the station should generally have an easier access to and from the station than they have presently because they will be able to get to the Queensway and then directly at fairly rapid speed to the new station.

Another point is that we have parking space at the present station for five cars and we are providing parking space for 160 cars at the new location. For the man who wants to drive to the station, take the train to Montreal and come back it will be possible to take his car to the station, park it, go on the train and come back to his car at the station. That will be convenient for the kind of commuter operation mentioned the other day for people wanting to go quickly to Montreal from Ottawa; this will be easier from the new location.



From the point of view of taxis and other transportation, the situation will be much easier at the new location; and it should be because we are planning a new facility there. We will have at the new location a through train operation through our passenger terminal open at both ends. We will get rid of the stub end rail operation which necessitates backing in and out of the station as is the case now. This is an advantage which will help generally in our service to the public, and of course we will have up-to-date design and facilities of all kinds at the new location, which are always preferable to something 40 or 50 years old.

Taking all these things into account and thinking of our ability to serve the public and the ability of the public to get to and from the railway station, and considering the over-all effect on the hotel taking into account both the highway and the rail side, we have come to the conclusion that while originally we did not care for this move, with the changes taking place and with the movement of the centre of gravity of the city we are satisfied that we will not be adversely affected. We think the public will be perhaps better served than they are at present.

*(Translation)*

Mr. CARON: The people of Ottawa are the only ones who were taken into consideration. You gave no thought at all to the people of Hull and the railways tend to reduce the passenger service in that way. The citizens of Hull will have much farther to go to get to the new station than now. What is the distance between the present station and the new one?

*(Text)*

Mr. MACDOUGALL: About two miles from the present station to the new station.

*(Translation)*

Mr. CARON: At least two miles. That means from four to five miles from Hull to the new station, instead of two or two and a half which is a tremendous difference. It looks as if you want to do away with all the passenger trains between Maniwaki and Ottawa, between Portage-la-Prairie and Ottawa. There are only two trains left between Montreal and Ottawa, and I am wondering if you are not thinking of doing away with them soon and then the citizens of Hull will be so far away from the station that they will begin to wonder whether it would not be better to go by plane than by train.

*(Text)*

Mr. SPENCE: I think perhaps the answer should come from me because the operation on the north side of the Ottawa river, between Ottawa and Montreal, belongs to Canadian Pacific. It is true we have proposed to discontinue some of our trains between Ottawa and Montreal via the north shore. I know that no application has been made to discontinue all the services. The trains that are being better patronized are continuing to operate, and, as I said at the last meeting of this committee, we do not discontinue trains that are making money. For us, as long as they are patronized well and earn proper revenues, we are happy to keep them running. We have passenger facilities in Hull, and those facilities, I believe, under this plan are being improved and enlarged, and while passengers may have to travel further to reach the Union station in Ottawa, they still have good passenger facilities in Hull itself. Of course, it depends on where you are going, but whether you are coming from Hull to the present Union station or to the new Union station, it is almost inevitable that you would use more transportation of some kind, and an extra two miles will not make too much difference. Furthermore, there will be additional highway facilities from Hull to Ottawa which would make access easier than it is at present.



(Translation)

Mr. CARON: That is a considerable change from the Gréber plan which provided for a station in the west and another one in the east. The eastern station, on the Hull side, would have had most trains and above all the fast trains between Ottawa, Hull and Montreal, because there are twenty miles less. At the present time all the fast trains are on the Ontario side. All we have is the slow train which stops at every station and that is why fewer people are taking it. I can understand the companies wanting to earn money with their passengers, but they should not forget that they make money with freight and other transportation. I quite understand that you can come to Ottawa without coming to Hull, but some trains should come to Hull. You should take it all together, freight and passengers and see whether the company can earn money and not just take passengers on one side, and freight on the other. That is where I fail to understand the companies. I remember that in 1936 I said to the vice-president of the Canadian Pacific in Montreal: "You should take over the bus services and road transport because you are being gypped". And the vice-president of the Canadian Pacific of those days said to me: "It is only a passing fancy". Well if it was only a passing fancy he lacked judgment in those days, and they may well lack judgment at the present time.

(Text)

Mr. SPENCE: I do not know just what the question is.

The CHAIRMAN: Have you any other questions, Mr. Caron?

Mr. CARON: The question is this: We were speaking of losing money or of making money on the passenger service. I know you have to put the whole thing together; you have to put the freight and the passenger service together to see if you can make money or if you are losing money on the two services, not only on one because one is the complement of the other. I do not think railway companies have been created only to make money. They have also been created to give a service, and that is not what they are giving now. They are cutting down the service to the people just to make money on freight. I do not understand this and I do not see why they are doing that.

Mr. SPENCE: We have been faced for years with criticism from the freight service that their rates were unnecessarily high because they were having to contribute to our losses in the passenger business. We have felt that the passenger business should stand on its own feet and that the freight business should also stand on its own feet. There was considerable justice in the complaint of the shippers that they should not have to subsidize the passenger service.

Mr. CARON: You say the freight charges are high? I do not think they are so high because in some cases you have reduced the freight so low that transport by road cannot compete. That does not mean the rates are too high. If you take canned goods or beer, you can transport it cheaper by rail than by any other means such as by road transport.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I do not think it is in order to discuss freight transport; we are here to discuss a station.

(Text)

The CHAIRMAN: Mr. Caron, I think you were making a point at first about the fact that the new station was located far away. However, I am sure you would not want to get into a discussion of the freight rate and passenger services, which will come under another bill, Bill No. C-120, which will come before the committee in the spring. These men are not qualified to discuss

freight rates and passenger line abandonment services, et cetera. I would like you to relate your question to the bill, if you can.

(Translation)

Mr. CARON: Mr. Chairman, I maintain that that is because they are thinking of taking out the train on the other side and sending it two miles away from Ottawa, and the people of Hull will have two or two and a half miles more to travel and, from what they say, all because of the cost of freight. This has something to do with transport and I maintain that if such is the case I have the right to discuss the matter. That is why I have been trying to-day to find out what connection there was. They say that transporting freight is too expensive and I have proved to them that it is not too expensive because it is less expensive than highway transport. So all that is connected with transport.

The CHAIRMAN: Mr. Caron, it was not the railway companies who decided to put the station there. It was the National Capital Commission who decided that.

Mr. CARON: Maybe the National Capital Commission did decide that but it was after consulting the railway companies, therefore the companies had as much to say in the matter as the National Capital Commission. It was necessary to convince them that they should accept.

The CHAIRMAN: Will you first address your questions to the witness so that he can answer you and so that we can decide where to locate the station.

(Text)

Mr. REGAN: Mr. Chairman, on a point of order, pursuant to what you have just said and in partial objection to the whole line of questioning we have heard from a number of the members of this committee, it appears to me that all this bill does is to set up an agreed method of carrying out decisions which have already been made in the past by bodies that have had the authority to make such a decision, and that this is merely setting up a method for carrying it out. I do not think that the objections here should deal with the location of the railway or with what lines are to be abandoned, but only with questions on whether this should be carried out by the setting up of a separate Ottawa terminal railway company. If we go beyond that, are we not actually out of order?

The CHAIRMAN: I do not think that is the entire point, Mr. Regan. I did say at the opening this morning that in order to pass such a bill we should know something about the reasons why the station will be located at a certain site which has been agreed upon by the railways and the National Capital Commission. It is true I was hoping that as soon as possible we could dispose of a bill which is rather simple and which deals only with the administration of a terminal wherever it is located. I really think that the point we are making, or that some of the members are making, as to the advantages or disadvantages of the location at the present time are points which should be made in the house when that bill comes for approval. At the present we are only dealing with a bill which relates to the administration of the terminal.

Mr. TARDIF: Mr. Chairman, I agree with Mr. Regan. Everything that we speak about which does not pertain to Bill No. S-33 is out of order. In no place in this bill do we deal with the location of the station, and in no place is the schedule of the trains or the cost of the freight dealt with here. This bill merely deals with a company for the administration of the station which is located in a spot which has already been agreed to by all the people who have the authority to do so. All the time which we waste on other things than that is purely a waste of time.



The CHAIRMAN: I would not say that. Under clause 9 there is a provision for the company to acquire a railway located at a certain place in or about the city of Ottawa. I think we are getting along pretty well at this time and I do not think we will succeed in limiting the discussion, providing it is orderly. I think we have pretty well exhausted the subject. I would rather like to feel that members have had the full opportunity to say what they have to say on this subject of the location this morning, especially because of the fact that for seven or eight years we have not had the opportunity to discuss matters which relate to actions taken by the National Capital Commission. I would not like some members to object directly to the line of questioning which has been taken by some of the members who, I think, have been pretty fair and have shown this morning that they are proceeding to the point where we may dispose of that problem for the present and leave it to the house later.

Mr. BARNETT: I have one follow up question. It is a question which I would like to have clarified.

(Translation)

Mr. BEAULÉ: Are we going to deal with the point of order or with the bill. Some members have requested permission to speak and have not yet been allowed to do so.

Mr. LESSARD (*Saint-Henri*): Mr. Chairman, I think you should decide whether or not you are going to allow Mr. Caron's question. In my opinion the price of transport has something to do with the matter. If you do not allow Mr. Caron's question, if we are only here to decide on the location and if we cannot make any comparisons, I see no purpose in discussing the matter.

The CHAIRMAN: I have not turned down anyone's questions.

Mr. LESSARD (*Saint-Henri*): You said it was out of order.

The CHAIRMAN: I merely told Mr. Caron that this was not the place to discuss the abandonment of passenger services throughout Canada or freight transport, as these matters will be dealt with later on when we discuss Bill C-120. If Mr. Caron will limit himself to the problem insofar as it is related to the Ottawa and Hull stations that will be quite in order—

Mr. CARON: And abandoning the lines on the Hull side—

The CHAIRMAN: Yes.

Mr. CARON: And in the appendix you see—

Mr. BEAULÉ: Mr. Chairman, on the same point of order—

(Text)

Mr. BARNETT: You must recognize me, Mr. Chairman.

The CHAIRMAN: Mr. Beaulé is speaking on a point of order.

Mr. BARNETT: I am raising a point of order. I started my questions and I thought somebody wanted to get in a supplementary question. I have one more question to ask.

The CHAIRMAN: Mr. Beaulé is on a point of order.

Mr. BARNETT: My point of order is that you should recognize me. The honourable member interrupted me before I asked my question and I would like to ask my question now.

The CHAIRMAN: But he is on a point of order.

(Translation)

Mr. BEAULÉ: Mr. Chairman, if you allow these questions to be discussed here in relation to the bill, I think it is going to open too many doors and we shall spend too much time on the bill. If you are going to allow these questions then I shall have some to ask this afternoon about other matters concerning



the railways with regard to giving up trains, moving the stations, etc. I think we should keep to the bill but if you allow other questions I think I also have the right to ask the representatives of the Canadian Pacific some questions concerning Quebec, because at the present time we are discussing Hull and I have some questions to ask about the city of Quebec.

The CHAIRMAN: Very well, now, Mr. Beaulé.

Mr. CARON: Hull is closely connected to Ottawa; it is not the same thing as the city of Quebec.

(Text)

Mr. BARNETT: Mr. Chairman, if I may say so, I think the question which I would like to have clarified has a direct relation not only to what I was asking earlier but to a question that came from the member from Hull and from others. I have not objected to this line of questioning. What I would like to have clarified, in view of the remarks made earlier by the railway representatives in respect to the proposed relocation of the station, is the responsibilities of the Ottawa Terminal Railway Company in relation to transportation from the station. Is this to be part of the responsibility of the company? Will transportation facilities directly to any point be operated by the Terminal Railway Company? As I understand it, it is directly related to the provisions of Clause 9 as set out. Will the C.N.R. run a direct service from the station to the Chateau Laurier? In other words, is it the responsibility of the proposed railway company, or do they anticipate establishing non-rail facilities for quick transportation of passengers from the train to any other point?

The CHAIRMAN: Do you not think that this comes later in the bill under Clause 10(g)?

Mr. BARNETT: I realize that, but it seemed to me it could be dealt with perhaps while we are still on Clause 1.

The CHAIRMAN: If you get into the question of the transportation which is dealt with under Clause 10(g), you will open up a whole new field. I would like to dispose of the first question which is before us now, dealing with the relocation of the station.

Mr. ROCK: Have you ruled on that point of order which was brought before us? I believe that we should discuss all the merits of this bill in general, and therefore I think Mr. Caron is in order in discussing parts of it directly or indirectly. I do not think we had a ruling from you.

The CHAIRMAN: I told Mr. Caron that as long as he limited his questions to the railway transportation which exists now from Hull to the station in Ottawa, he is in order.

Mr. CARON: And which may exist in the future. They are asking to cut off freight out of Montreal.

The CHAIRMAN: Order, please.

Mr. ROCK: I was not finished with you yet, Mr. Chairman. I would also like to know who is next in the line of speakers.

The CHAIRMAN: If the points of order are exhausted, you are the next one.

Mr. HAHN: May I ask a quick question on a point of order? Are we going to go through the agreement or the memorandum in the bill section by section, or, while we are on Clause 1, is this the time to ask questions that arise from it?

The CHAIRMAN: We will go through the agreement clause by clause.

Mr. COWAN: Will the two lawyers be present while we are going through it clause by clause? Will they be here to answer questions?

The CHAIRMAN: Yes.

Mr. Rock: Mr. Chairman, I would like to ask Mr. Macdougall a few questions. First of all I would like to mention the fact that I asked the chairman of the Capital Commission, General Clark, some questions as to the merits of the relocation of the station, I asked whether alternative plans were studied before the decision was taken to relocate the station. At a previous meeting Mr. Peters brought up the point regarding steam engines. This got me to thinking as to the timing at which the decision was made. I understood this decision was made before General Clark became the chairman of the commission. It was made around 1950, during the time of the steam engines. I can understand that at that time many municipalities and many cities wanted to get rid of a station in a central area where it caused a lot of smoke and steam. I would not be surprised if at that time the commission had the same thing in mind. I would like to know from Mr. Macdougall whether any study was made since that time on the matter of keeping the station in its present location, and whether the commission was asked to restudy their ideas. Today we have diesel engines, at least I think we have had them since 1957 or 1958. Since then the whole picture has changed. I would like to know whether the C.P.R. or the C.N.R. asked the commission to restudy the whole situation because of the fact that steam engines are not in operation any more.

General Clark more or less stated that they had this in mind period, and they did not have any alternative plans. In other words, they did not have the situation of having plan number one and, if this did not work, having plan number two or plan number three or plan number four as alternatives.

I would like to know from the two gentlemen from the Canadian Pacific Railway and Canadian National Railways whether they produced any alternative plans to the commission, or anything to that effect.

Mr. MACDOUGALL: My understanding of what took place is that the basic decision to put the union station in the presently proposed new location was made in about 1959. I do not recognize the date of 1950. Before that it seemed to me that the earlier plan, as I understood General Clark's explanation, was that the station was to be moved much farther out than presently proposed. This was restudied by 1959, and it was then decided to put it in the presently proposed new location. Of course, we had the diesels at that time. I do not think there is anything of which I am aware which went back to the 1950 decision which was based on factors at that time which have changed in ten years.

In accordance with our understanding, there was a re-examination some time prior to 1959 and then a new decision was made at that time.

Mr. Rock: Yes, possibly the decision was made but I believe the commission itself had it in mind to move the station in 1950. I can understand when you say the decision was made to move it away out at that time, and possibly the reason was because of the smoke and dust and whatever nuisance trains caused in those days.

The CHAIRMAN: Mr. Rock, would you not like to put that question to Mr. Macdonald of the National Capital Commission?

Mr. Rock: No, because these questions have been more or less answered by them in the past and I want to know the story from Canadian National Railways and Canadian Pacific Railway. I want to know whether they made any objection or whether they tried to bring any alternative plans to the commission.

Mr. Chairman, you have to understand that even if the commission has an all-out plan to relocate the railway stations, I am sure that possibly Canadian National Railways and the Canadian Pacific Railway had plans which they would submit to the commission, or if they had any objection they possibly would submit that. For instance, what brought about the decision to move the central station closer to the city than had originally been intended? The first plan was to



move it away out to Walkley road, and now the plan is to move it close to Alta Vista. Therefore some change was made. What was the reason for this change?

Mr. TARDIF: In answer to that may I say that, though I should not be answering the question, I was on the planning board at that time and the principal reason for moving the station was to eliminate 70 level crossings.

Mr. PETERS: That does not explain why it was brought back.

Mr. TARDIF: It was not smoke or anything else; it was a matter of the level crossings.

Mr. MACDOUGALL: The original plan, as I understand it, was one of city planning or town planning in the capital city of Ottawa, and one of the major purposes was to eliminate the multiplicity of level crossings. The original decision was to go much farther out to the Walkley road area and then, following developments and further study in 1959, it was decided to bring the station in. All the factors were considered at that time by everybody concerned. That is the sum and substance of it.

Mr. ROCK: Can you give a summary of the reasons for which they moved it back from Walkley road?

Mr. MACDOUGALL: I think General Clark gave that in detail.

Mr. TARDIF: I was chairman of the planning board at that time in 1959 and I can tell you that the reason it was brought nearer was because it was possible to eliminate the 70 level crossings while at the same time having it nearer the town. There was also the fact that the road situation to the centre of town would be a lot easier because it would be possible to make a four line highway directly into the heart of the city.

Mr. PETERS: May I ask a supplementary question? Was there any reason for not planning it to eliminate all the level crossings?

The CHAIRMAN: Order, order. Are we going to put Mr. Tardif on the witness stand?

Mr. TARDIF: I wish you would.

Mr. ROCK: I am satisfied with the explanations. General Clark did mention the fact that this was more centrally located. He mentioned that this was where the Queensway was to be cut through and the fact that the accumulation of traffic would be centred on the main highway, which is the Queensway. This was one of the main reasons why they brought the station closer; it was to be closer to the main highway where most of the traffic would have easier access to the station. Therefore I am very satisfied with the answer.

The CHAIRMAN: Are there any other questions?

Mr. PETERS: I have just one question.

The railways must have some plan; they have a plan for abandonment of railways and a number of other things. Is this business of moving the railways out of the city into a suburb, or even farther out, a program of the railways?

Mr. MACDOUGALL: No, as far as Canadian National Railways are concerned I do not think we have any over-all program of this kind, but individual cases are dealt with on their own merits, and I mention Saskatoon as an instance of a place where we have redeveloped our station property.

This is something we have engaged in a good deal across the country, and we have tried to get private industry interested in property we have in the centre of the city in order that relocation may take place in urban areas. We have moved the station some distance from the centre of the city of Saskatoon and redevelopment is going on in the centre of the city, much as in Montreal and in Moncton, New Brunswick, and various other areas. We are certainly interested in our urban areas if we can find good passenger facilities.



Mr. PETERS: Your passenger service is consolidated.

Mr. MACDOUGALL: I am not sure that I understand what you mean by consolidated.

Mr. PETERS: You do not need as big a station as you used to need.

Mr. MACDOUGALL: In many cases no.

Mr. PETERS: Could you tell us offhand how much money and consideration you obtained from the National Capital Commission for agreeing to this plan?

Mr. MACDOUGALL: I could not answer that.

Mr. PETERS: Was it extensive?

Mr. MACDOUGALL: The basic premise has been maintained that we have been made whole, and this is a combination of a number of things. It is difficult to put a figure on it.

Mr. PETERS: You have valuable properties with the 10 or 12 lines running through the city. For this you must have obtained a considerable amount of cash. It must have cost the Canadian government—not necessarily the city of Ottawa but the Canadian government—considerable money to pick up your holdings in the lines.

Mr. MACDOUGALL: We have received some benefits and we have given some of our facilities to the National Capital Commission. We have been made whole on the complete deal. I do not know that we have exacted more than our due and I do not think we have got more than our due.

Mr. PETERS: You cannot give any figure?

Mr. MACDOUGALL: No.

Mr. PETERS: Can you, Mr. Spence?

Mr. SPENCE: No.

Mr. PETERS: Why can you not give any figure? You are putting in a completely new line and you know how much it costs; you know how much the station facilities mean to you; you know how much property you had before. This has all been evaluated by the National Capital Commission, I am sure. Why can the committee not be told in exact figures what the deal was? This must have been a very interesting arrangement.

Mr. MACDOUGALL: I can make one comment on it. If you look at the agreement and at the whole of the arrangement, not only land transfers but property transfers, you will realise that values have had to be put on old things and new things. It is a very complicated rather than a very simple calculation to arrive at the plusses and minuses.

Mr. PETERS: I am not suggesting it is simple, but knowing the railways and the computer systems they have I know they must be able to arrive at a balance in the end.

Mr. MACDOUGALL: That is the explanation.

Mr. PETERS: It is the explanation but it is not an answer.

The CHAIRMAN: Maybe you can ask General Clark when we call him.

Mr. Rock: I would like to make a little comment.

The Canadian Pacific Railway and Canadian National Railways usually, as Mr. Macdougall says, have no general plan of changes but I must say they do co-operate with any municipality whenever a change is to be made. Within the city of Lachine, for instance, when there were relocations for a humpyard there was complete co-operation between the Canadian Pacific Railway and Canadian National Railways and the local city authorities, and I think they are doing the same thing here with the city of Ottawa.

Mr. REGAN: Perhaps I am dealing in repetition, Mr. Macdougall, but I would like to clarify for the benefit of all the committee, since we are discussing this aspect of it, and say that I presume in deciding upon the location of the new station there were consultations between the railways and the National Capital Commission. Is that accurate?

Mr. MACDOUGALL: Yes.

Mr. REGAN: I also presume that in determining the location you took into consideration accessibility to the largest portion of the population in the Ottawa area and that the Queensway passing by was a factor in the location.

Mr. MACDOUGALL: I am sure that was so.

Mr. REGAN: I also presume that your railway would have had considerable experience in determining accessibility and the best locations from that point of view in other cities where you have made changes; is that accurate?

Mr. MACDOUGALL: Yes, we have studied the same problem in other locations.

Mr. REGAN: On the basis of your experience would you agree with my conclusion that the new location of the station is much better from the point of view of getting to the station for the great mass of the population of this city than the present location?

Mr. MACDOUGALL: I think when you think of it in terms of time and compensation at the station that is quite right. It should be easier for people to get to it and from it and to move about the station when they get there. It is not going to be so confined; there will be more space to manoeuvre at the station and it will be easier to get to and from it.

Mr. REGAN: In other words, having the station in the heart of the downtown business district as in the present situation—not recognizing the manner in which this city has grown and is likely to continue to grow—would be like having a station in London alongside Buckingham Palace?

Mr. MACDOUGALL: It does not necessarily mean that because a station is in the centre of the city it is the best location for all the people who use the railway.

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, we have been allowed to talk about Saskatoon and Lachine and I hope you will allow me to talk about Quebec too. But before doing so I would like to ask Mr. Macdougall if he intends to establish a service like the one at the airports to carry passengers from the station to the centre of the city at a reasonable price.

The CHAIRMAN: Where?

Mr. BEAULÉ: At the new station here in Ottawa.

*(Text)*

Mr. MACDOUGALL: I do not think it is the normal practice of the railway to provide free transportation for its passengers from the railway terminal to any particular point.

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, I did not say anything about free transportation. I asked that a transport system be established at the station in the centre of the city, such as there is at the airports, at a minimum price.

The CHAIRMAN: Mr. Beaulé, other members have asked the same question. I referred them to section 10 which we shall deal with later on.

Mr. BEAULÉ: I have not finished, Mr. Chairman, I have some other questions. A moment ago the representative of the Canadian Pacific spoke of a parking lot for passengers. Is that parking lot going to be managed by private enterprise or will it belong to the company?

The CHAIRMAN: That also comes under section 10: powers of the company. Mr. Beaulé.

Mr. BEAULÉ: One other question Mr. . . . A while ago we were discussing level crossings, etc. for that station . . . Have you any other projects? For example, have you spoken to the city of Quebec about eliminating level crossings. Is any thought being given to building a station outside the city. The problem is just as serious as here in Ottawa.

(Text)

Mr. MACDOUGALL: Well, Mr. Beaulé, I spoke about Saskatoon because it came immediately to my mind. There may be others but this always, of course, depends upon the planning between the railway company and the municipalities concerned, and the interest the public may show in the lands that we may hold in the centre of a city for redevelopment purposes.

In many areas we invite people to come forward and to carry out redevelopment programs but these, of course, must take place in a manner which is consonant with our ability to give service to the public.

So just where this will happen in the future, I do not know; but our policy is that where we can redevelop our properties in urban areas, we endeavour to do so.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I have another question. We have talked a lot about railways, transport etc. I am now thinking of the employees. If the station is relocated outside the city would it involve a lot of layoffs?

The CHAIRMAN: That matter was discussed at the other meeting, Mr. Beaulé.

Mr. BEAULÉ: Mr. Chairman, as I did not attend the other meetings, I was sent abroad, I think I am entitled to an answer from one of the witnesses.

(Text)

Mr. MACDOUGALL: This is the point that was raised before. I have explained with respect to employees that we follow the practice here that we follow elsewhere of dealing with the authorized representatives of the employees to make detailed arrangements about the setting up of a new organization when this occurs.

We have held meetings already with the organizations of the employees in the Ottawa area. We have discussed with them our plans as far as we know them, but we have had to tell them, quite naturally, that we only have gone so far as to ask for the incorporation of the new company. It has not been approved yet; we have not had time to deal with them in detail about who is going to work in the new terminal and just how it is going to be manned. This will take place over the next two or three years.

We have started formal discussions with the employees and there will have to be discussions between the Canadian National Railways and the Canadian Pacific Railway as well about how the new organization is going to work out. But this has worked out very satisfactorily, if I may say so. The employees' representative organizations are quite satisfied with the manner in which it has proceeded to date.



*(Translation)*

Mr. BEAULÉ: I would like you to see the employees' point of view and not only that of the union leaders. You would get the employees complaints in that case, and not just the opinions of the union leaders.

*(Text)*

Mr. MACDOUGALL: Our interest, of course, is the employees, but our practice has been for many, many years to deal with the employees and their interests through their authorized representatives who are elected by them to come and bargain on their behalf with us.

We deal with them and we have found that, in the main, it has worked—and very well, I think—for both sides.

Mr. MACKASEY: Earlier, Mr. Chairman, the representatives of Canadian National Railways were discussing or answering some of Mr. Regan's very excellent questions. They were asked about concentration of population. I think you hesitated at that point and Mr. Regan obligingly swung to the story of the Queensway.

Is the new location actually the centre of concentration of population at the present time?

Mr. MACDOUGALL: Well, I think the explanation that I gave earlier to Mr. Barnett was on that point. The studies made in 1960 indicated that of the people coming in on our trains to the centre of the city, approximately 28 per cent were walking to their destinations.

So, presumably, those people were coming to the centre of their area of interest. The bulk of those people were coming to the Department of Public Works. Since 1960 that Department has moved out of this area as has the Post Office, the C.B.C. and the Department of Health and Welfare. Agriculture is also preparing to move.

So looking at that whole picture, we feel that far fewer than 28 per cent of our rail passengers who are still coming into Union station are walking.

Mr. MACKASEY: How much closer will this new station be to the Department of Public Works, for instance?

Mr. MACDOUGALL: Well, others would know that better than I. It is considerably closer.

Mr. MACKASEY: You talk about time and accommodation. Are you talking about time in the sense that it is easier to get to and fro on the new roads?

Mr. MACDOUGALL: Yes.

Mr. MACKASEY: Will new roads not improve it?

Mr. MACDOUGALL: It has been checked out by tests that people moving to and from the Queensway may proceed more quickly from given points in the area of the city of Ottawa than they can now by the present routes to the Union station.

Mr. MACKASEY: Are you hoping that people will go to the station in their own automobiles and leave them there while they take the train, and until they come back again?

Mr. MACDOUGALL: This happens in other areas if facilities are there, and it is convenient for people to do so, yes.

Mr. MACKASEY: Does this not also happen in the case of the air lines?

Mr. MACDOUGALL: Yes, this happens in the case of the railways and the air lines as well.

Mr. MACKASEY: Is it not a fact that the railway is more convenient in most instances, because railways usually run into the heart of the city, and that this

has been one of their selling points not only in Ottawa but elsewhere? One of your selling points has been the fact that the railway gets you into the city while the air line does not.

Mr. MACDOUGALL: Yes.

Mr. MACKASEY: Then are you not contradicting that theory?

Mr. MACDOUGALL: We do not believe this is so. We think the fact that the centre of gravity that has occurred and is occurring will not put us in that position. We think we will be fairly within the centre of things in the new location.

Mr. MACKASEY: You feel you will still be at the centre?

Mr. MACDOUGALL: Yes.

Mr. MACKASEY: Most members of parliament for some strange reason take a cab from the present Union station up to parliament hill.

Mr. COWAN: I would like to comment on Mr. Macdougall's evidence. I was born in Ottawa and I feel I know something about this city. But you gentlemen keep talking about the centre of gravity, and the centre of Ottawa moving out, just because the C.B.C. and the Post Office have moved to the outskirts.

Does Gen. Clark not give some consideration to the great growth in Hull and in the Gatineau district? I have seen Hull magnified many times in the past number of years. I can remember when the Union station and the Chateau Laurier were opened, when it was said that they were in the centre of population of Ottawa and district.

Let us remember that there is more here than just the city of Ottawa. I have disembarked from a train at Ottawa and gone to Hull to do business with the Woods Manufacturing Company, and with the printing bureau in Hull, or to Gatineau to do business with the International Pulp and Paper Company. Perhaps I should not have done so; perhaps rather I should have got out at Confederation Heights to see the new Post Office Department which is to be considered as the centre of population of the Ottawa district.

Mr. MACDOUGALL: You must know even better than I do the general plan for the city of Ottawa, not only in the building of the Queensway but of other highways as well, to provide a network of roads. We feel that from the point of view of time and ease of access the new station location will not be disadvantageous for the whole area of the city of Ottawa. We think probably, because accommodation will be available there not only for private cars but also for public conveniences and so on, that the highway network to be formed will prove to be pretty reasonable accommodation for the whole area.

Mr. CARON: How much would it cost to go by taxi from the new station to Gamelin boulevard in Hull, which is five miles away from the new station, or the new location?

Mr. MACDOUGALL: I cannot say.

Mr. CARON: I suggest it would be around \$5, and this cost would have to be borne by the citizens of Hull, because nobody takes care of the city of Hull—the National Capital Commission, the railways, nor anybody else. They just look at the city of Ottawa and they do not care for the rest of it. That is what I do not like.

Clauses 2, 3 and 4 agreed to.

(Translation)

Mr. CARON: The registered capital, does the government pay the registered capital of \$30,000,000?

(Text)

The CHAIRMAN: Would you mind asking your question of the witness?

Mr. CARON: To whom?

The CHAIRMAN: To the witness.

Mr. CARON: I thought I did.

The CHAIRMAN: I mean Mr. Macdougall.

Mr. CARON: The amount stated there as paid by the government is \$30 million.

Mr. MACDOUGALL: No, the \$30 million generally represents the capital value of the property that is being transferred to the Ottawa Terminal Railway Company by the Canadian Pacific, or the Canadian National, or the National Capital Commission, on behalf of the Canadian National or the Canadian Pacific. There is no cash being put in by the government. This figure is arrived at by calculating the capital value of the assets which will be placed in the hands of the Ottawa Terminal Railway Company.

Mr. CARON: That would be the amount given by the national railways?

Mr. MACDOUGALL: That is right.

Mr. CARON: Would it not be \$30 million?

Mr. MACDOUGALL: I would have to check on it. I do not have the figure at my finger tips. I am afraid I have not got the breakdown of it in detail.

(Translation)

Mr. BEAULÉ: Mr. Chairman, on a point of order, I think this is important. There must surely be figures. It is the most important item in the bill.

The CHAIRMAN: Yes.

(Text)

Of course Gen. Clark should have those figures. I think it is very important. I refer to the breakdown of the \$30 million.

Lt. GENERAL S. F. CLARK (*Chairman, National Capital Commission*): We cannot produce that figure.

Mr. PETERS: I move adjournment until they get it.

(Translation)

Mr. BEAULÉ: If you do not have any figures we cannot pass the bill, that would be impossible.

(Text)

The CHAIRMAN: General Clark.

Mr. CLARK: Mr. Chairman, I have the amount of capitalization set up for this company by the railways themselves, according to the railway figures, not commission figures. The amount at which they capitalize the value, and the estimate of their value is as follows. If you wish it, a member of my staff might give you the values of the land being transferred from the commission to the railways and particularly from the railways to the commission.

Mr. HAHN: On this point of order, it seems to me that the financial aspects of the transaction concerned with the two railways should be given to us so that we might have a rough idea of the values of the properties transferred to each railway company and put into this new corporation, in addition to what each of the railways has acquired and given back to the National Capital Commission, having regard to certain properties. We should have the two sides of the transaction so that we might have some idea of the total proportion of the value that each of the three partners is putting into it.



The CHAIRMAN: I agree. I know that is what the committee wants, and I am sure that these figures will be made available.

Mr. CLARK: Mr. Macdonald of the National Capital Commission staff can give you figures of the transfer from his own point of view or that of the National Capital Commission.

The CHAIRMAN: Very well.

Mr. ROCK: I believe you are paying a lot more of the costs than required by the agreement which is to be found at the back of the bill. It seems to me that the commission is paying the full shot of the transfers and everything. When you give us the figures, I think you should give us the figure the National Capital Commission is going to pay.

The CHAIRMAN: Ask your question of Mr. Macdonald when he is on the stand.

Mr. ROCK: No, I would prefer to ask it of the Chairman of the National Capital Commission.

Mr. HAHN: How can we question figures before we get them?

The CHAIRMAN: Let us wait until Mr. Macdonald gives his figures.

Mr. OLSON: We want to know the total costs of making this transfer, whether it be through the federal government, through the National Capital Commission, through the Canadian National Railways, through any other branch of the federal government, or even through the Canadian Pacific Railway. When we consider the whole transfer, we want to know the costs of all the contributions that will be paid, so that we may know how big the shot is when we have to pay it.

The CHAIRMAN: You will not find out until you start at least with the National Capital Commission and let them give the figures. We can go on from there. Nobody is limiting any questions at the present time.

Mr. OLSON: I want to make it clear that we want to know the aggregate of the contributions.

Mr. ROCK: Thank you for coming to my aid, because I was put out of order by somebody when I thought that I was quite in order.

Mr. PETERS: Are these figures available in the form suggested by Mr. Clark?

Mr. CLARK: Mr. Macdonald will be able to give you the costs of the relocation plan to the National Capital Commission, and also the value of the properties that the commission is receiving from the railways.

So far as I am aware the National Capital Commission is paying all the federal cost involved in the relocating of the railways. There might be one or two exceptions to this, as in the case of a grade crossing ordered by the board of transport commissioners, in which the board itself pays a certain amount of money out of the grade crossing fund to any new grade separated crossing when it is built by either railway. So I think the figures would form a very comprehensive review of the question that was raised.

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, as we have a representative of the Canadian Pacific here, what is the approximate amount the Canadian Pacific intends to invest in movables or property in connection with—

The CHAIRMAN: Mr. Beaulé, let us proceed first with the National Capital Commission which will give you figures.

Mr. BEAULÉ: Yes, but meanwhile—

The CHAIRMAN: He is here. Mr. Macdonald is here as a witness.

(Text)

Mr. D. L. MACDONALD (*National Capital Commission*): Mr. Chairman, this is a fairly complicated number of figures that I have before me to put before you. With the permission of the committee I would like to handle it by first giving the National Capital Commission's total cost of the project, and then the figures indicating the market value of the lands as distinct from the values which were used. And then we have figures of the contributions to the project by the National Capital Commission, the Canadian Pacific Railway, and Canadian National Railways, and what the purpose is. Is that the information you wish?

The CHAIRMAN: Yes.

Mr. MACDONALD: The total cost to the National Capital Commission is \$22,425,000 for construction.

The CHAIRMAN: It is for the construction of what? Would you make that clear?

Mr. MACDONALD: It is for the construction of the following items: the Prescott subdivision and grade revisions, \$3,900,000; the new railway station with its ancillary buildings, \$6,500,000; the Walkley road yards, \$4,200,000; merchandise terminals at Hurdman's bridge, \$2,000,000; necessary communications with which to operate these railways, and telecommunications, \$1,500,000; track connections, \$800,000; signal system, \$3,000,000 and the various overpasses in the Hurdman's bridge area, \$425,000. As well there are payments to the Canadian National Railways for the Union station in the sum of \$2,900,000; running rights on the Beechburg subdivision, \$950,000; and for land between the Rideau River and Rideau street, comprising approximately 78 acres, including some land leases from the crown, \$1,600,000.

Mr. CARON: Is that included in the \$30 million?

The CHAIRMAN: That is included in the \$22 million.

Mr. MACDONALD: That makes a grand total of \$27,875,000.

Mr. CARON: The first figure you gave us was \$22,425,000.

Mr. MACDONALD: Yes.

Mr. CARON: And this is another \$27 million?

Mr. MACDONALD: I am sorry that I was not clear. The \$22,425,000 included the amount for construction which I itemized as being the Prescott subdivision, the railway station, the Walkley yards, merchandise terminals, telecommunications, track connection, signal system, and overpasses at Hurdman's bridge.

These payments to Canadian National Railways made the difference and brought the total up to \$27,875,000. The values of the lands being acquired from Canadian National Railways and the Canadian Pacific Railway on the basis of their market value are as follows: Railway rights of way which we have received from the Canadian Pacific Railway and comprising 155 acres total \$7,260,000. These lands are located on the right of way from Bell's Corners to LeBreton flats, which is the railway line running along the Ottawa river. Then the Sussez street line from Bank street and including lands opposite the National Research Council, namely 44 acres, and some land from the Rideau River to Mann avenue. This is the approach to the present station, and also from the present station to Brewery creek in Hull; that is across the bridge, and to the station in Hull. These properties total \$7,260,000, at a good conservative market value estimate.

Railway rights of way being received as part of this over-all transaction from the Canadian National Railways comprise 217.49 acres; these include 100 acres being the former cross-town track and these have already been constructed and the Queensway, and additional land for the Pretoria bridge of some

27.76 acres from Mann avenue to Rideau street. This is extremely valuable land. For the purpose of making up this total it has been up at \$6 a square foot. The adjacent properties in that area are selling as high as \$40 a square foot, and the value which we received for these lands from our economic consultant was \$15 a square foot. There are 46 acres from the C.N.R. from Mann Avenue to the Rideau river, and east of the Rideau river an additional 24 acres. The land from the C.N.R. is valued at \$18,656,000. I might say that I mentioned a payment to the C.N.R. of \$1,600,000, and this was used to pay the C.N.R. for part of the land in the immediate station area.

Mr. ROCK: I am not clear on that. You mean you have land valued at \$18 million and you are only paying them \$1 million for it?

Mr. MACDONALD: C.N.R. is being paid \$1,600,000 for land which we value at \$18,656,000. I mentioned that the N.C.C. was paying \$22,425,000 as its contribution to the construction cost of setting up the new railway scheme, which offsets the property cost discrepancy to which you referred.

Mr. OLSON: What about the value of land that the N.C.C. is providing for new sites for the railway lines and the station?

Mr. MACDONALD: May I just finish with these figures and then I will come back to that question?

There was additional land to the land mentioned which the commission is receiving as part of this transaction. In the LeBreton flats, which is the Ottawa west yards of the C.P.R., there are 60 acres which we value at something around \$6 million. In the LeBreton flats 11 acres are being received from the C.N.R. which we value at \$1,100,000, and the Boteler triangle at Sussex street yards, which contains 40 acres, is valued at \$1,120,000. This makes a total of receipts in market value of land of \$34,136,000.

An hon. MEMBER: I do not think these figures would be so complicated if you were clearer. You told us the land was 155 acres. Does that include all the properties you are acquiring in the Ottawa area? You said C.P.R. have 155 acres at \$7,260,000.

Mr. MACDONALD: The total from the C.P.R. was the railway rights of way which I specified, plus the LeBreton flats lands, which is 60 acres, and the Boteler street lands of the Sussex street yard, which is 14 acres.

Mr. COWAN: I am glad you said "plus" just now.

Mr. PETERS: Is that added to the cost, that is to the \$7 million?

Mr. MACDONALD: Yes.

Mr. PETERS: What is the total of the Canadian Pacific Railway?

Mr. CARON: Is that the total of Canadian National Railway?

Mr. MACDONALD: The total from the Canadian Pacific Railway is \$7,260,000 for the railway rights of way, plus \$6 million for the LeBreton flats, plus \$1,120,000 for the Sussex street yards.

(Translation)

Mr. CARON: Mr. Chairman, I suggest these figures should be mimeographed for the next meeting on Thursday morning. The explanations are so involved that it is really impossible to grasp the entire project. If the figures could be mimeographed we would have all the details and could study them before the meetings.

Mr. BEAULÉ: Mr. Chairman, I agree with my friend Mr. Caron that it should be moved and put to the vote.

(Text)

The CHAIRMAN: I would like to ask the committee whether it is their wish that these figures be put in mimeographed form to be distributed to the committee before the next meeting on Thursday?



Mr. PETERS: I would also think that the committee should have the assistance of an accountant to tell us what they stand for. This is a very large sum of money which is being transferred, and I believe we have an obligation to make sure that the figures are in order. I would suggest the committee should have the services of an accountant acting on our behalf. I am certainly not in a position to even comment on those figures. I do not think I have even the totals.

The CHAIRMAN: I do not think we have the authority to do that at the present time, but in any event I think we should have the figures before us on Thursday to find out if we need any assistance. Let us leave it at that.

Mr. PETERS: Personally, I am already in trouble.

Mr. CARON: Do we not have the power to hire an accountant?

The CHAIRMAN: No.

Mr. CARON: We have the power to call witnesses. Can we call an accountant as our witness?

Mr. ROCK: I do not think an accountant is going to help. An accountant can only check on those figures.

Mr. CARON: We want to know what they are. We want to understand them.

The CHAIRMAN: Let us wait until we get the figures, and the steering committee can then decide.

Shall we let this gentleman finish with his figures? Those figures are not so bad.

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, I have a question for Mr. Macdonald. This is in order, Mr. Chairman. It is just a question regarding the land he mentioned. The figure—

The CHAIRMAN: He has not finished his report.

Mr. BEAULÉ: No, but with regard to the land belonging to the Canadian National and the Canadian Pacific, I would like to know whether any buildings on that land have been transferred to the National Capital Commission. Do you have the figures for the cost of the station?

*(Text)*

The CHAIRMAN: Mr. Macdonald, you mention land; do these figures include buildings on the lands?

Mr. MACDONALD: Generally speaking the lands which have been referred to are without buildings, except for the Union station and its buildings.

The CHAIRMAN: One moment, Mr. Beaulé. Mr. Macdonald, are you through with your figures?

Mr. MACDONALD: Mr. Chairman, if the committee wishes the figures on the respective contributions to the scheme of the National Capital Commission, the Canadian Pacific Railway and the Canadian National Railway, I have them before me. They are quite complicated.

Mr. COWAN: I would like to know what is the value of the Canadian Pacific Railway lands and Canadian National Railway lands before the National Capital Commission was ever created. We want to see if the Canadian National Railway are getting a fair deal in this. Clause 15 speaks about the two railway companies having half interests in the company. I want to know whether they contribute to the half interest before they get the interest in this company.

Mr. OLSON: What is the value of the land which the National Capital Commission is providing for the new complex?

The CHAIRMAN: That is also what I have been waiting for.

(Translation)

Mr. BEAULÉ: Two questions have been asked. Mr. Cowan asked a question and did not get an answer. Mr. Olson also asked a question but did not get an answer, therefore, is he answering Mr. Cowan or Mr. Olson?

The CHAIRMAN: Mr. Cowan got his answer.

Mr. BEAULÉ: Mr. Cowan did not get an answer.

(Text)

The CHAIRMAN: Did you get your answer, Mr. Cowan?

Mr. COWAN: Let me say this, Mr. Chairman, I did not expect an answer.

Mr. TARDIF: Then you are not disappointed.

The CHAIRMAN: I suggested to the committee that Mr. Macdonald should be allowed to complete his figures, and then he can be questioned on his statement.

Mr. PETERS: I would appreciate it if we had those figures prepared before our next meeting.

The CHAIRMAN: That has been agreed upon.

Mr. MACDONALD: Would you like me to proceed with this major statement?

The CHAIRMAN: Yes.

Mr. MACDONALD: The value of the assets, in the agreement between the National Capital Commission, the Canadian National Railways and the Canadian Pacific Railway, are as follows: C.N.R. to the Ottawa Terminal Railway, land, \$0.9 million; buildings and works, \$2.0 million; total, \$2.9 million.

C.P.R. to Ottawa Terminal Railway, land, \$0.9 million; buildings and works, \$1.5 million; total, \$2.4 million.

N.C.C. to Ottawa Terminal Railway, land, \$1.6 million; buildings and works, \$18.2 million; total, \$19.8 million.

Assets to be transferred to the Ottawa Terminal Railway by C.P.R., C.N.R. and N.C.C., land, \$3.4 million; buildings and works, \$21.7 million; total, \$25.1 million.

C.N.R. to N.C.C., land, \$3.7 million; buildings and works, \$8.2 million; total, \$11.9 million.

C.P.R. to N.C.C., land, \$3.4 million; buildings and works, \$7.7 million; total, \$11.1 million.

N.C.C. to C.N.R., land, \$1.9 million; buildings and works, \$4.4 million; total, \$6.3 million.

N.C.C. to C.P.R., land, \$0.3 million; buildings and works, \$2.4 million; total, \$2.7 million.

Summary: Canadian National Railways receive \$18.85 million and give \$14.8 million. Canadian Pacific Railways receive \$15.25 million and give \$13.5 million. National Capital Commission receives \$23.0 million and gives \$28.8 million.

Mr. CARON: What are the Canadian Pacific Railway figures?

Mr. MACDONALD: Canadian Pacific Railway receives \$15.25 million and gives \$13.5 million.

The CHAIRMAN: Mr. Macdonald, do you think we could have that statement in the hands of the committee members by tomorrow so that on Thursday we could go into a more intelligent discussion of it?

Mr. MACDONALD: This material will be ready.

The CHAIRMAN: Gentlemen, that being the case I think we should probably stand Clause 3 and Clause 4.

Mr. COWAN: I have a question to ask on Clause 4. Did I understand Mr. Spence and Mr. Macdougall to state that N.C.C. was also going to hold stock in the company? One of them made a reference to that matter.

The CHAIRMAN: We will ask Mr. Macdougall to come up.

Gentlemen, do you wish to stand Clause 4?

Mr. COWAN: I would like to get an answer to that question because I was surprised at those words which I heard. In Clause 15 it is said that the two railways own only half of the stock.

Mr. MACDOUGALL: The two railway companies will own half of the stock.

Mr. COWAN: So the National Capital Commission will not own any?

Mr. MACDOUGALL: That is correct.

The CHAIRMAN: Clause 4 will stand.

Clause 5 is agreed to.

On Clause 6—*General meetings.*

Mr. COWAN: I am not a lawyer like you, Mr. Chairman, but can you tell me why the following words were put in, "General meetings of the shareholders, whether annual or special, may be held at such place within Canada, including the head office of the company, as may be determined by by-law"? It seems to me that the head office of a company has to be in Canada.

Mr. MACDOUGALL: I think it is just the usual form of drafting which specifies that you can hold it anywhere in Canada, including the head office of the company, which is the usual place to hold it; but it could be held in other places. The clause could have said that they will hold it at the location of the head office of the company and, in addition, may hold it in other places in Canada, or they could say "in any place in Canada". This is just a form used in drafting a bill of this kind. I agree with you that perhaps there is a simpler way of doing it.

Mr. COWAN: It is not necessary, but this makes it more complicated.

Mr. PETERS: Does Clause 6 mean that no provision is made for the future possibility when we may decide to move this again?

Mr. CHAIRMAN: Clause 6 has nothing to do with the location.

Clause 6 agreed to.

On Clause 7—*Number of directors.*

Mr. MACEWAN: I would like to ask Mr. Macdougall if he knows whether the directors of this new company will be chosen from the present directors of the Canadian Pacific Railway and Canadian National Railway or whether they will be acting officers employed by the company?

Mr. MACDOUGALL: I do not know that any policy decision has been made, or I am not aware of it, but the bill is drafted to empower the company and to establish its form. As you will see in Clause 7, it is provided that they can either be officers in the employ of the Ottawa Terminal Railway Company, or other persons. It does provide for the officers of the Terminal Company being directors if the shareholders should so decide.

Mr. MACEWAN: Is nothing settled?

Mr. SPENCE: The usual practice is to appoint the operating officers of the companies to the subsidiary company.

Mr. PETERS: Is any provision made for this company to report to parliament?

Mr. MACDOUGALL: Not specifically. The interests of the Canadian National Railway are reported to parliament through the Canadian National Railway.

Mr. PETERS: Will this not exclude the terminal ownership?



Mr. MACDOUGALL: The Canadian National Railway will be half owner of the Ottawa Terminal Railway Company, and it will be open to parliament to inquire through the Canadian National Railway about anything respecting the terminal.

Mr. TARDIF: If you look at one half you see the other half automatically.

Mr. CARON: Not necessarily.

(Translation)

Mr. BEAULÉ: Mr. Chairman, will section 7 provide for a French-speaking representative on the board?

(Text)

The CHAIRMAN: Is clause 7 carried?

(Translation)

Mr. BEAULÉ: I did not get an answer to my question. I asked whether there would be a French-speaking Canadian on the board.

(Text)

The CHAIRMAN: Can you answer that, Mr. Macdougall?

Mr. MACDOUGALL: No, I cannot answer that, Mr. Beaulé, and for this reason: we are just now compiling the company. We have not got down to the detail of all the organization of the inner workings of the company, including employee questions and management questions. These have not been worked out. I cannot say the name of any man chosen yet, so I cannot tell you whether he is English, French, Ukranian or anything else.

(Translation)

Mr. BEAULÉ: When will you know?

(Text)

Mr. MACDOUGALL: I would presume when the company is organized we will know once the appointments are made.

(Translation)

Mr. BEAULÉ: Will it not be too late to ask questions at that time?

(Text)

Mr. MACKASEY: Mr. Chairman, I resent the inference here that we have to protect French Canadians by legislation. I think our society and an organization as close to the government as this well understands that such Canadian talent should be included, and conceivably all the members could be French Canadian. We should not have to protect people in Canada by legislation. I think French Canadians have proved their competence in this type of endeavour and in theory it could be a board of all French Canadian members.

I am from French Canada and I would resent protection by by-law. I think we should be enlightened enough in our society to make it unnecessary to protect any group by legislation.

The CHAIRMAN: Mr. Macdougall is counsel for Canadian National Railways and he cannot make statements on the future policy of Canadian National Railways. However, as you know, Canadian National Railways come up for review every year before this committee and no doubt they will be aware of the statement you have just made, as they have been aware of statements made by this committee from year to year. I think you should be satisfied with the statement that Mr. Macdougall has just given.

(Translation)

Mr. CARON: Mr. Chairman, I think Mr. Mackasey is wrong there. In principle I recognize that there may be only French Canadians. As we have seen that is never the case in practice. In practice it has always failed and if we have not taken precautions ahead of time we find that we have been left out. We are looked upon as incompetent in Canada. Look how hard it is for the Canadian Pacific and the Canadian National to recruit a few French Canadians. Look at Quebec Hydro. Since that has been taken over by the province of Quebec, Hydro Quebec have built the largest dam in the world with French-Canadian engineers and this proves that our men are competent. But in their opinion the French Canadians are not competent. That is what Mr. Gordon stated one day, that they were unable to find competent people to fill the vice presidency. A gas station operator was made vice president and chief of personnel. That is something that has never been taken into consideration, and that is why I consider a clause should be inserted immediately to protect French Canadians.

(Text)

Mr. FISHER: I would like to ask Mr. Caron how he would suggest this could be done in the statute.

Mr. CARON: Well, it could be done as it is generally done. Generally it is stated that out of the number given one, two or three will be French Canadian. That is the only thing we can do.

Mr. FISHER: Well, make the motion. Make the motion; I will support it.

Mr. REGAN: No, this is surely not so.

(Translation)

Mr. CANTIN: Mr. Chairman, I am against putting any such provision in the act. I think there are other ways to go about it and such steps have already been taken. We have seen it for a year or so, particularly on the part of the Canadian National and the Canadian Pacific, there is a movement in the right direction.

Mr. CARON: Only in the past 6 months.

Mr. CANTIN: Then let us hope it will continue in the same direction and the politician is always able to make representations, either to this committee, when the railway representatives submit their balance sheet. I am absolutely opposed to incorporating in the act all kinds of provisions which, after all, merely indicate an inferiority complex, which I myself do not suffer from in the least.

Mr. CARON: We have to keep an inferiority complex. There is nothing else we can do, we have that complex; it has been created for us since Confederation. It is time there was a change and the fact that we are asking for things proves that we no longer have an inferiority complex. We are asking for things because we are entitled to receive things and I suggest, Mr. Chairman, that section 7 should read like this: "that the number of directors should not be less than 6 nor more than 10 but that at least two of those gentlemen should be French Canadians."

The CHAIRMAN: You mean French Canadians who speak French.

Mr. CARON: No, I am speaking of French Canadians.

(Text)

Mr. REGAN: Mr. Chairman, I have some difficulty in talking today but—

(Translation)

The CHAIRMAN: One moment please. Did you move it Mr. Caron?

Mr. CARON: I will put it in writing if you like.

The CHAIRMAN: Will you kindly have it seconded.

Mr. CARON: I will put it in writing and I shall get someone to sign it.

Mr. BEAULÉ: I second the motion.

(Text)

Mr. CARON: Go ahead, Mr. Regan, while I am writing.

The CHAIRMAN: We will wait; this will be a good time to reflect a little!

(Translation)

The CHAIRMAN: Mr. Caron, seconded by Mr. Beaulé, moves that section 7 should be amended to include at least two French-Canadians. However, Mr. Caron, you have not amended the question in the legal manner.

(Text)

Mr. CARON: I would like to add the words "of those there will be two French Canadians." There is no need to rewrite the whole sentence.

The CHAIRMAN: I wish you would make your amendment read in the proper fashion.

Mr. CARON: My amendment is: "After the word 'ten' two shall be French Canadian".

(Translation)

Mr. BEAULÉ: We know what you mean.

Mr. CARON: You can put it wherever you like so long as at least two are French-Canadians.

The CHAIRMAN: I cannot draft your amendment for you. After the word ten which—

Mr. CARON: After the word ten.

The CHAIRMAN: Two French-Canadians.

Mr. CARON: At least two French-Canadians. I am speaking of their language.

(Text)

The CHAIRMAN: Gentlemen, I want you to appreciate that the amendment just says that the section should be amended to include at least two French Canadians. I do not want to draft the amendment but—

(Translation)

Mr. BEAULÉ: Mr. Chairman, when one looks at the section, one or several of them can be employees of the company and two of them should be French-speaking.

The CHAIRMAN: I will add it at the end, that two of them should be French-speaking.

Mr. CARON: It is most unfortunate.

Mr. BEAULÉ: Should without fail be French-speaking.

The CHAIRMAN: Mr. Caron moves, seconded by—

(Text)

Mr. TARDIF: From that, Mr. Chairman, it could be someone of French extraction who comes from France.

(Translation)

Mr. BEAULÉ: French-speaking Canadian, let us add the word Canadians.

Mr. CARON: French-speaking Canadians.



(Text)

Mr. ROCK: That means two being French-speaking Canadians.

Mr. CARON: It means Canadians of French expression.

(Translation)

The CHAIRMAN: Mr. Caron seconded by Mr. Beaulé moves that section 7 be amended by adding: and that two of them should be French-speaking Canadians.

Mr. CARON: That is correct: a French-speaking Canadian.

(Text)

The CHAIRMAN: The amendment will read, in my humble translation: "Section 7—after the word 'company', add the words 'two of which shall be French-speaking Canadians,' "

Mr. CARON: "Of French expression".

Mr. ROCK: No, when you use the term in French "of French expression" you usually say "Canadien français".

Mr. HAHN: Are we free to speak now on this motion?

The CHAIRMAN: Yes.

Mr. HAHN: I think this motion is very bad on two counts. First of all, we should not try to legislate this sort of matter. I think as has been mentioned earlier that for us to try to protect—if you want to use that word—a minority in the country by legislation of this type is wrong. Secondly, I think the legislation is impractical. How do you define in a court of law whether someone is French speaking? How many words do you have to speak to be classified as French speaking?

I think the legislation is meaningless if we try to put in these words. I think public pressure, sentiment and so on is the means of ensuring fair treatment for both races in the country. I think this is happening now. I do not know of any other legislation where we have legislated this sort of thing, and I think it would be a bad precedent. I am opposed to it.

(Translation)

Mr. CANTIN: This amendment is not acceptable, Mr. Chairman, first of all because it seems to be entirely contrary to the human rights declaration as it is defined here in Parliament, and also because it constitutes discrimination instead of ensuring participation. So I submit that it is entirely contrary to the rules and should not be accepted.

(Text)

Mr. ROCK: Mr. Chairman, I think Mr. Caron is right and so is Mr. Beaulé. I feel that although there has always been a trend forward saying that French-speaking Canadians should get higher positions, somehow they have not obtained those positions in the past; and there has always been the inference that it has not been possible to find competent men to take these positions. I do not believe this to be a fact. I believe that throughout Canada there must be many French-speaking Canadians who should obtain higher positions within Canada, and it seems that in the past they have not done so.

I am completely for this protection.

Mind you, if someone says we are out of order because this is a certain type of company being formed, let us consider the fact that first of all Canadian National Railways belong to the people of Canada or are supposed to belong to the people of Canada, and in this regard we do legislate anything that Canadian National Railways are supposed to do in the future. For instance, we are the legislators of anything that railway companies do, and in respect

to Canadian National Railways, being a national company and belonging to Canada, I think we have the full right to amend this article. I am completely in favour of it.

Mr. MACKASEY: Mr. Chairman, I am sincerely hopeful that when the board of directors is set up under clause 7 as it presently exists there would be two or more French-speaking Canadians on that board. However, I would like to think that it is done as a result of enlightenment and that it is as a result of education within the railways.

I was just hoping that French-speaking Canadians would be named to this directorate strictly on the facts, and the facts are of course that no race, either English or any other, has a preponderance or monopoly of any virtues in this country, including education itself.

This particular organization is set up basically by two companies, Canadian National Railways and the Canadian Pacific Railway, and certainly Canadian National Railways have been the target of an awful lot of justified criticism in the last few years on the question of nationality. However, Mr. Gordon has shown a degree of enlightenment, perhaps as a result of the pressure of parliament and public opinion, which is encouraging and which I think is prevalent and spreading through industry in this country.

To deny the two companies the opportunity of showing that they do not prefer either of the two founding nations is unfair. If we try to eliminate what we think is an unfair situation by legislation, we are denying Mr. Gordon and Mr. Crump—or the new president of Canadian Pacific Railway—the right to take the position voluntarily; we are denying them the opportunity of saying in effect, "We have made mistakes in the past, but we are doing what we can now to rectify them." If we were to enact this legislation we would be saying then that they are doing it only because of legislation. What about all the companies for whom we cannot legislate? This is what concerns me greatly.

I will be the happiest man in Quebec if when this is set up we could say, "This is the start of a new era in this country, an era in which all are treated equally not because of legislation but because of education." That is why I am against this.

Mr. REGAN: I hope the mover and seconder of this motion realize that it would be a far reaching and dangerous precedent. I think they have not thought it out to its conclusion. It is a move that started out with sentiment and genuine concern for what has been done in the past, but surely directors of companies should be selected on the basis of their skill and ability and the contribution they can make. These should be the qualifications, not the accident of birth.

I am wholly in accord with what Mr. Mackasey has just said, but if we are to legislate that every company that is incorporated by parliament is to have people as directors who have one racial strain in their background, then surely we give rise to consideration by other groups that they should be represented. I can conceive that a time might come when this particular railway—as has been mentioned by someone—might have all French-Canadians as directors, but surely the directors should be chosen from among the officers of the company. Another time might it not be the case that by accident more than one would have French-Canadian background?

This is racist legislation, and very, very bad legislation; and I certainly oppose it.

*(Translation)*

Mr. BEAULÉ: Mr. Chairman, I wanted to ask that question because I think it is very important. So I will put a direct and pertinent question to Mr. Macdougall. As a new company will be set up in Ottawa I am sure you already have the names of the people suggested to manage that company. Have the

Canadian National or the Canadian Pacific thought that there should be a French-speaking Canadian on the board? Among the names of the people suggested to manage the company, I know there are people who have been suggested to manage the company. In that case we could withdraw the motion.

(Text)

Mr. MACDOUGALL: I would just say to that, Mr. Beaulé, that the organization of this company has not even begun. We have not the charter for the company to start with. Once this charter is passed, there is a great deal of work that has to be done. It may well be that many men may be proposed as directors of the company, I do not know. Incidentally, I have nothing to do with the appointment of directors, and I do not even know how it is done. It could quite possibly be that lots of names would be suggested from various sources, or there could be no names suggested. We have not reached the stage where any director has been chosen. It is open to anybody to make any suggestions they want to make. From where I sit in the C.N.R. it seems to me we do get many suggestions, and many of them are quite good. I believe they are acted upon.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I think it is a drastic way to compel a company to put some man on the board. If the committee agrees and recommends that there should be French-speaking Canadians on the board I am prepared to withdraw my name as seconder of the motion. If the committee is prepared to recommend that there should be French-speaking Canadians on the board and the matter is given careful consideration.

(Text)

Mr. FISHER: I just want to ask Mr. Macdougall one question. Would it be right to assume that half the directors would be suggested by the Canadian National Railways and half by the Canadian Pacific Railway?

Mr. MACDOUGALL: I would think that probably would be what would happen.

Mr. FISHER: I just want to make the point that there may be some efficacy in the proposal in that it seems to me this would be the first time that we would have an opportunity to hear a response from Canadian Pacific.

My second point—and I am not making this facetiously or in humour—is that both these railways are carrying out large scale training of their senior executives in the French language, according to their public relations. From this point of view I do not foresee there would be any great difficulties. It seems to me the requirement would be an incentive, and therefore I will support the motion.

The CHAIRMAN: Gentlemen, there has been a suggestion from Mr. Beaulé. Perhaps you did not grasp it. He suggested that he would be content to withdraw as seconder to Mr. Caron's motion if the committee were willing to express to the railways their desire and their wish to appoint at least two French-speaking directors. This would give an opportunity to the committee at a later date in the spring to find out to what extent the railways have responded to this wish.

Mr. FISHER: At that meeting later in the spring we will only be able to question Mr. Gordon. We will not be able to question Mr. Emerson.



*(Translation)*

Mr. CARON: That is precisely what Mr. Beaulé suggested. Mr. Beaulé suggested that if they would tell us they intended to do so he was prepared to withdraw his motion, but they did not say they intended to do so, they said they did not know. In that case I do not see—

Mr. BEAULÉ: If they intend to do so—they cannot say so.

Mr. CARON: That's just it, they do not want to tell us. An honourable member said a while ago: "How can we establish that a man is French-speaking from the number of words?" I speak English, I can express myself in English but I cannot say that I am English-speaking because I do not speak the language sufficiently well. I make a lot of mistakes when I speak English. Then the matter of human rights was mentioned. I do not know what human rights have to do here. There are human rights to avoid mentioning it and there are also human rights so that one can mention it. The bill of rights entitles us to mention it if we wish to do so. We have been tricked so often in the past. I do not intend to say that we shall be tricked this year, in any case, as Mr. Fisher said, we shall know in the spring what they have done but it will be too late to correct things and I do not intend to correct things in the spring. Apart from that, someone mentioned "skill and ability", and that is precisely what I said a moment ago. There are French-Canadians with management ability. Usually in English companies they are obliged—we have had a proof of it since the Quebec government bought Quebec Hydro—we have built the largest dam in the world with French-Canadian engineers who previously had never been consulted by the English companies. We know all that. I think we should maintain this matter of at least two French-Canadians on the board.

*(Text)*

Mr. PETERS: It seems to me from the discussions we have had that we are really in effect amalgamating the Hull services as well as the central station services in this new terminal. For this reason I am prepared to support the motion. Really we are eliminating the Hull section of our normal transportation services. I therefore think this is a good and legitimate reason in this case for appointing French-speaking representatives who represent the Hull area which is being discontinued under the present service.

Mr. BARNETT: Mr. Chairman, may I just say a word on the suggestions you have made?

As I understand this, I would be willing to support the expression of opinion by this committee that it would be desirable to have adequate French-speaking representation on the board of directors, but if we put this kind of an amendment in the bill what in effect is likely to be the practice is that there will only be two French-speaking directors. The practical effect of putting such an amendment in the legislation is apt to perpetuate a form of discrimination. I think all of us agree it should be eliminated. Therefore, I feel the motion as proposed by Mr. Caron is an unwise one and defeats the objective which he has in mind and with which I agree.

Mr. CARON: I said "at least two", but if we only have two we would be satisfied because we never had it before.

Mr. MACEWEN: I do not wish to be lengthy. I wish to speak on what Mr. Hahn has said with regard to amending the legislation. I agree with Mr. Barnett, and I would be willing to go along with an expression from this committee that full consideration be given to French-speaking Canadians being appointed to the board of directors.

Mr. STENSON: I am in agreement with the last speaker and with the several speakers who have spoken. Being English-speaking myself I would suggest that maybe we could put a subamendment that two thirds of these people be English-speaking.

Mr. TARDIF: If you do that, it would have the same effect as doing nothing.

Mr. REGAN: What about the Irish?

Mr. MACKASEY: I did not want to speak for the second time, but I have to say this: I think we are all agreed, Mr. Fisher, Mr. Caron and myself and anybody who has spoken, that there should be and there must be representation from French Canada on the board of directors of the new company. However, I think we are approaching it from different aspects. I would hope the motivation for appointing these French Canadians on the board of directors would be one of intelligence on the part of those who are naming them, and a recognition of the dual cultures of this country. We are being called upon to vote on a "when do you beat your wife and when do you stop beating your wife" question. If we vote against the amendment, it can quite easily be interpreted as a vote against French Canadian participation on the board of directors, which is not the intention of those who would vote against it.

I will emphasize once again, in the hope that I am not misunderstood, that I desire and I think it is absolutely necessary that there be French participation on this board of directors, but the motivation for the appointment should be intelligence and enlightenment on the part of those who are picking them and not prejudice on our part that they do not intend to do so, and therefore that we must do so by legislation which we propose in the amendment.

(Translation)

Mr. CANTIN: You did not understand what I said. I meant that I am definitely in favour of French Canadian participation on the board of the company, but I object to the method suggested here and I share the opinion of those who believe we should recommend it and stop at that. After that we should watch the matter.

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: Mr. Chairman, there are several representatives of the two railway companies here today. I think that following today's meeting they should make the recommendation to the two companies concerned, and when we discuss the other sections of the bill later on they could come back here and let us know what the companies intend to do, whether the directors of the company intend to appoint French-speaking Canadians to the board in which case it will not be necessary to amend section 7.

(Text)

Mr. ROCK: May I add something? May I suggest that we stand Clause 7 for the time being and let us see what the representatives of the Canadian National Railways and Canadian Pacific Railways do when they enlighten us on the matter in this respect at the next meeting?

The CHAIRMAN: Does the committee wish to stand Clause 7?

Mr. HAHN: No.

Mr. REGAN: Please put the question.

Mr. ROCK: In that case you do not wish to find out whether they have the intention to do so or not?

Mr. HAHN: We are dealing with a matter of principle, and the principle is whether or not we should legislate what we all feel to be desirable. I do not think we should legislate it. I do not think it will make any difference if the

railways tell me on Thursday that they are going to have five or no French-speaking directors. I would still be opposed to this and would be in favour of trying to get the right representations through other means than legislation. I do not think we gain anything by standing the clause.

Mr. REGAN: If I might add to this, I like Mr. Hahn, am against this type of legislation. If the legislation is wrong, then the idea of putting it off until Thursday to use the legislation as a threat, is also wrong. I therefore think that the question should be put to a vote at this time.

(Translation)

Mr. BEAULÉ: Would you read the amendment again please?

The CHAIRMAN: Mr. Caron, seconded by Mr. Beaulé, moves that section 7 be amended by adding the words, at the end of the section: "and that two of them—

Mr. CARON: That at least two.

Mr. BEAULÉ: That at least two.

The CHAIRMAN: —that at least two of them should be French-speaking Canadians.

Mr. CARON: That is correct.

(Text)

The CHAIRMAN: In my humble translation the amendment to Clause 7 is as follows, that Clause 7 be amended by adding a comma after the word "company", followed by the words "and that at least two of the said directors shall be French-speaking Canadians".

Is the committee ready for the question? All those in favour of the amendment please raise their hands. Those against?

Mr. MACKASEY: I would like to ask you to take note that I abstained for very selfish reasons.

The CHAIRMAN: The amendment is carried eight to seven.

Shall Clause 7 as amended carry?

Clause 7 as amended agreed to.

On Clause 8—*Executive committee of directors.*

Mr. BARNETT: I would like to ask the following question out of curiosity: I would like to know how the president of the company is going to be chosen, since the president of the company is ex officio a member of the executive committee. It has already been suggested that probably both railway companies would name a number of directors. I do not see any formula for naming the president of the company.

Mr. MACDOUGALL: This is the normal thing. This type of situation is met in other circumstances. It is usual to alternate the president between the two companies, if the two companies own the subsidiary and equal shares, on some agreed upon basis, either yearly or something of this kind.

Mr. SPENCE: The same situation arises in the Toronto Terminal Railway Company.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I know that in Quebec, at the Shawinigan terminal, the president is appointed for two years by the Canadian Pacific and vice versa two other years by the Canadian National. Is that the way they intend to proceed?



(Text)

Mr. MACDOUGALL: That is the general line.

The CHAIRMAN: Clause 8 is agreed to.

On Clause 9—*Undertaking*.

Mr. PETERS: May I ask Mr. Macdougall the following question? Are we now acquainted with all the plans and the potential of this company?

Mr. MACDOUGALL: I think so. I am not sure I understand the portent of your question, but I think it has been explained what the company generally intends to do.

Mr. PETERS: I think the matter of providing transportation is of great interest. I understand there are two or three other terminal companies that are not unlike this one. There is a terminal company in Toronto, I believe; and I think there is at least one other joint participation terminal company. Could you explain what type of transportation is provided for express, for freight and other auxiliary transportation agencies that may be concerned?

Mr. MACDOUGALL: I think in Toronto, which is one of those spoken of earlier—and I think it would be comparable here in Ottawa—each of the two major railway companies intends to continue to do business in the city of Ottawa, to solicit passengers and freight.

Mr. PETERS: Why?

Mr. MACDOUGALL: Because that is the business in which they engage, to carry passengers and freight to all points in Canada.

Mr. PETERS: I am thinking of something else. In the last year the Ontario Northland Railways have gone into a joint merchandising program with Canadian National and Canadian Pacific on their distribution points. The Canadian National and the Canadian Pacific gave up their express contracts and they set up a merchandising agency operated by the Ontario Northland Railway. I was under the impression that this may have been through the merchandising system under this transportation company. Incidentally this was done at the request of the Canadian National Railways. It was their thinking on the matter. This is why I was surprised when you said you intended to carry on these activities.

Mr. MACDOUGALL: Changes are taking place all the time, either within the company or with other transportation agencies. The intention in Ottawa is that each railway company will solicit its own traffic to and from the city of Ottawa, and the carload traffic will be delivered here. The terminal company will do the actual handling and placing of the cars, and the handling to and from the warehouses. From the point of view of service to the public, each of the railway companies will be serving its own customers, some of whom will be joint between the two of them because they will be served through the company to either railroad. The two railway companies are in competition for the traffic. It may be a haul from Ottawa to Vancouver, and naturally they will each service their own interests here. However, the service is being provided within the terminal, the maintenance of the trackage and the maintenance of all the joint terminal facilities, as well as the switching and so on which will be done by the terminal companies. The co-ordination that has to be done between the two of them working, as they will be, close together, will be done through the terminal company. However, since both railway companies are national in scope and the terminal company is local, they will each have their own direct connection with the public, both passenger and freight, to solicit and handle traffic on their own railroad, on the long haul transportation in which they engage.

Mr. PETERS: Well, in the case of the Ontario Northland Railway the suggestion was made—and I think it was made by the Canadian National Railways—in respect of express particularly, that this is something similar to two milk companies delivering on the same street, where an arrangement could be made—which would be much more advantageous—for one delivery only.

I would think this should refer to the trains, particularly when they are coming in at the same time. But, there is a difference to this extent: the O.N.R. was the only one operating trackage and the express was shipped via Canadian National Railways and via Canadian Pacific Railway, although they as well as the O.N.R. have a distribution system.

It would seem to me that if the Ottawa terminal is to provide better service at less cost there would be no gain in the express or freight deliveries from that terminal being made by the individual company. I have no argument and there is no suggestion of an argument in respect of the business arrangement and solicitation by traffic agents of transshipment, but it would seem to me that the distribution logically would fall under the terminal and that the terminal easily could provide the distribution, which would account for considerable savings. I think the Canadian National Railways officials have been wrong in their argument as it relates to the O.N.R.

Mr. MACDOUGALL: I do not think there is any hard and fast rule for or against that type of arrangement. Each one of these local terminals in these areas is located at individual points, and I think you probably will find there is a variety of different ideas employed at different places, dependant upon the local circumstances. This terminal company has the power to do what you are speaking of, to handle pickup and delivery services in and about the city of Ottawa, and both the national railway companies have this power and do perform the service today. Whether in two years or five years from now they will turn all of this over to the Ottawa Terminal Company, I am unable to say. That point has not been raised to date. But at the present time, as far as I know, each company will continue to look after its own interest here and will use the services of the Ottawa Terminal Railway Company to do the joint things which are necessary to be done. The purpose of this bill is to empower the Ottawa railway company, when they want to do something jointly, to do it.

Mr. HAHN: I have a question with regard to the effect of all this on industry.

As I read the agreement between the three parties on pages 14 and 15 it is my understanding that industry is going to lose its rail sidings as well as trackage that is to be removed and they will not be compensated in any way other than by being offered land in one of the new industrial subdivisions at a reasonable rate, as well as being given free siding in these new locations. Is that correct?

Mr. MACDOUGALL: I think generally that is correct, but I am not sure that in the detail it is entirely correct. But, as I say, that is the general premise. Those who are served by railways who cannot be continued to be served because of changes being made and because of configuration of the lines will be offered facilities in a new area. And I think the National Capital Commission's policy has been that they will bring them into these new areas and make them whole in these new areas, so they will receive rail services.

Mr. HAHN: Am I to understand that the move to the new area would be at the expense of the company? If this is true, it would seem to me it is working a very great hardship on an industry which is dependant on a rail siding. If you suddenly took the sidings away companies would be forced to come up with the necessary capital to relocate.

Mr. MACDOUGALL: The relocation is made at the expense of the National Capital Commission.

Mr. HAHN: If that is the case, that has cleared up the uncertainty for me. Could I have that cleared up definitely?

Mr. D. L. MACDONALD (*National Capital Commission*): Mr. Chairman, the proposal for handling the industries which lose rail service as a result of this railway relocation program has been to pay compensation to the companies related to the plant which they operate. In addition, they are offered sites in new industrial areas set up by the National Capital Commission at market value for the land less 20 per cent. And the National Capital Commission also pays for a siding of equal investment to that which they enjoyed in the location from which they were moved.

Mr. HAHN: That answers my question. Compensation is being paid to industry. From the information I read in this connection I thought it was not being paid.

Mr. REGAN: Mr. Chairman, I have a supplementary question.

Have you had any representations from those industries which will be affected by this provision to the effect that they feel it is an unsatisfactory arrangement?

Mr. MACDONALD: The amount of compensation is still under negotiation with quite a number of companies which will be affected in the future, and a lot of these railway relocation schemes have not yet been implemented.

Mr. COWAN: Is it not true that a certain number of companies already have started court action against the National Capital Commission or the railways because of this very thing? I read a list of those in one of the Ottawa papers a week ago.

Mr. MACDONALD: Mr. Chairman, the procedure which has been set up to determine the amount of compensation, should there be a dispute in respect of the amount, has been for the case to be heard by the Exchequer Court, and at the present time certain companies are contemplating taking action in the court to determine the amount of compensation.

The CHAIRMAN: Are there any further questions on clause 9?

Mr. PETERS: Is the compensation figured in the over-all cost you gave us this morning?

Mr. MACDONALD: No, Mr. Chairman.

Mr. PETERS: Well then, can you tell me the approximate amount this would add up to?

Mr. MACDONALD: May I make an estimation for Thursday in that connection?

The CHAIRMAN: Are there any further questions on this clause?

Mr. FISHER: Mr. Chairman, I have a question in respect of that part of the memorandum which deals with this new merchandising terminal area, and it gives you some details on its construction.

Mr. MACDOUGALL: Clause 9 (a) at page 9 refers to the construction of a new merchandising terminal at Hurdman.

Mr. FISHER: I am intrigued with the difference in trackage required by the Canadian National Railways and Canadian Pacific Railway, on page 15 you will note that 25 cars is set out in respect of the Canadian Pacific Railway and 56 cars in connection with the Canadian National Railways.

Mr. MACDOUGALL: As I understand it, the reference to the trackage on page 15 is the result of the negotiation between the parties as to what is required



in the way of team track and related facilities at various locations, and they were spelled out here so, between them, they knew what was agreed upon and what was to be constructed.

Mr. FISHER: This would give a rough idea of the estimated volume of business.

Mr. MACDOUGALL: It also gives an indication of what each company considers they require in the way of facilities.

Mr. FISHER: In respect of this merchandising terminal is there to be a common floor with a common truck pick-up location? I am thinking of this in terms of an improved pattern of relationship with trucking.

Mr. MACDOUGALL: Generally speaking, Mr. Fisher, while the terminal will be all in one area it is anticipated there will be separate Canadian National Railways and Canadian Pacific Railway facilities together in this one location which would facilitate the inter-movement of traffic between them and trucks coming into the terminal, but I do not understand it to be one big floor which both companies will work from.

Mr. FISHER: I do not know whether this is the time to put this question, but what rights would independent truckers have in terms of shipments which come into that terminal which are for delivery right at the terminal?

The CHAIRMAN: Mr. Fisher, I was hoping we would wait until clause 10 to deal with that particular kind of question.

Mr. FISHER: Well, Mr. Chairman, I would be glad to pass. It was just that this came within the memorandum on construction.

The CHAIRMAN: Perhaps we could refer to the memorandum also when we are discussing clause 10.

*(Translation)*

Mr. CARON: I would like these gentlemen to tell me what is meant in the bill by: "in and about the city of Ottawa"? What does that mean "in and about the city of Ottawa"? What does that involve?

*(Text)*

Mr. MACDOUGALL: In my view, it has the same meaning in ordinary English.

Mr. CARON: But what is the ordinary meaning?

Mr. MACDOUGALL: Whatever is required by a person shipping some goods by railway which have been delivered in the Ottawa area through the Ottawa station.

Mr. CARON: Then it could extend up to Maniwaki, because they do have goods to send there.

Mr. MACDOUGALL: I think, generally speaking, we deliver goods and pick up goods at all our open stations across the country, and we have pick-up and delivery services at the various areas to which we deliver and pick up goods. The purpose of this is to provide pick-up and delivery in the area of the city of Ottawa.

Mr. CARON: But does it mean the entire city of Ottawa?

Mr. MACDOUGALL: Yes.

Mr. CARON: And it does not go beyond the city of Ottawa?

Mr. MACDOUGALL: No, but it would include the area in and about the city of Ottawa. It might include more than just the city of Ottawa proper.

Mr. CARON: Well, I would like to have that cleared up. Is it in or about the city of Ottawa—

(Translation)

I want to know but they will not tell me.

(Text)

What are the ins and outs of the city of Ottawa?

Mr. SPENCE: In an attempt to answer your question may I say that we have pick-up and delivery areas in and around every city and every large town. We are not necessarily limited by the city limits. They may extend. There may be built up areas farther outside the city limits which require service, and if these areas are sufficiently populated the service is given. But we do not want to be limited to the actual limits of the city itself. On the other hand, we are not going on to the next city or any unreasonable distance out.

Mr. MACALUSO: In other words, you will process these goods in and around the Ottawa area, but once you get out too far these goods are then processed from another station?

Mr. SPENCE: That is correct.

Mr. CARON: You process the Ottawa area?

Mr. SPENCE: Yes.

Mr. CARON: Would that include Gatineau Point?

Mr. SPENCE: I do not know how far that is. I have Mr. Pogue here. Mr. Pogue is familiar with that whole situation and perhaps he could answer better than I with regard to how far these operations might go. I would think it would be just about what we do now, of course allowing for expansion of the city.

Mr. CARON: I want to know what you are doing now and what you intend to do in the future?

Mr. SPENCE: May I ask Mr. Pogue if we, in fact, do serve Gatineau Point?

Mr. G. D. POGUE (*Special Assistant, Canadian Pacific Railway*): No, we do not.

Mr. CARON: Do you serve Gatineau?

Mr. POGUE: No.

Mr. CARON: Do you serve Aylmer?

Mr. POGUE: No.

Mr. CARON: Do you serve the city of Hull?

Mr. POGUE: Yes.

Mr. CARON: But there is part of the city of Hull you do not serve at the present time?

Mr. POGUE: We serve the city of Hull.

Mr. CARON: But you do not serve the whole of the city of Hull. You do not deliver past St. Raymond boulevard.

Mr. POGUE: As I understand it now we deliver freight from our Ottawa freight shed to the city of Hull.

Mr. CARON: Up to what point? I know at a certain time when I was living on Mountain road you were servicing agricultural requirements there but you would not go a block farther to bring the goods to our place. There is now a new part of the city of Hull, which is on the other side of St. Raymond boulevard and which is almost as big as the rest of the city itself; and you do not service it.

Mr. POGUE: It could be that a contract covering delivery of freight would confine that delivery. However, I would have to make inquiries of our company in order to ascertain the definite boundaries for you.

Mr. CARON: Would you obtain that information for Thursday, please.

Mr. POGUE: Yes.

Clause 9 agreed to.

The CHAIRMAN: I am going to suggest that we adjourn at this time.

We will meet again at 9.30 on Thursday morning.



HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament  
1964

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STANDING COMMITTEE  
ON  
**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

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THURSDAY, DECEMBER 3, 1964

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Respecting

Bill S-33, An Act to incorporate the Ottawa Terminal  
Railway Company.

WITNESSES:

*From the National Capital Commission:* Lt. Gen. S. F. Clark, Chairman, Mr. Eric Thrift, General Manager, Mr. D. L. Macdonald, Railway Commissioner. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Ottawa Transportation Commission:* Mr. A. W. Beament, Q.C.. *From the Department of Transport:* Mr. Jacques Fortier, Q.C., Legal Counsel.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.  
and Messrs,

Armstrong	Granger	Marcoux
Balcer	Greene	Matte
Barnett	Grégoire	McBain
Basford	Guay	Millar
Beaulé	Gundlock	Mitchell
Béchar	Hahn	Muir ( <i>Lisgar</i> )
Boulanger	Horner ( <i>Acadia</i> )	Nugent
Cadieu ( <i>Meadow Lake</i> )	Howe ( <i>Wellington-</i>	Olson
Cameron ( <i>Nanaimo-</i>	<i>Huron</i> )	Pascoe
<i>Cowichan-The Islands</i> )	Irvine	Peters
Cantelon	Kennedy	Pugh
Cantin	Korchinski	Rapp
Caron	Lachance	Regan
Cooper	Laniel	Rhéaume
Cowan	Latulippe	Rock
Crossman	Leblanc	Ryan
Crouse	Lessard ( <i>Saint-Henri</i> )	Southam
Ethier	Macdonald	Stenson
Fisher	MacEwan	Tardif
Francis	Mackasey	Tucker—60.
Godin		

(Quorum 12)

D. E. Levesque,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

THURSDAY, December 3, 1964.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9.40 a.m. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Messrs. Barnett, Beaulé, Béchard, Cantin, Caron, Cowan, Crossman, Fisher, Guay, Hahn, Howe (*Wellington-Huron*), Irvine, Leblanc, Lessard (*Saint-Henri*), MacEwan, Marcoux, Matte, McBain, Millar, Olson, Pascoe, Peters, Regan, Richard, Rock, Ryan, Stenson, Tardif, Tucker (29).

*Witnesses:* *From the National Capital Commission:* Lt. Gen. S. F. Clark, Chairman, Mr. D. L. Macdonald, Railway Commissioner, and Mr. Eric Thrift, General Manager. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Ottawa Transportation Commission:* Mr. A. W. Beament, Q.C.. *From the Department of Transport:* Mr. Jacques Fortier, Legal Counsel.

The Committee resumed consideration of Bill S-33, An Act to incorporate the Ottawa Terminal Railway Company.

### On Clause 10

Information, requested at the previous meeting, was tabled by the officials of the National Capital Commission.

The Committee discussed the matter of proceeding with the detailed consideration of Clause 10. The matter was put to a vote as follows: Yeas, 9; Nays, 9. The Chairman then cast the deciding vote in favour of proceeding with Clause 10.

Paragraph (a) of Clause 10 was allowed to stand.

Paragraphs (b), (c) and (d) were adopted.

On paragraph (e),

Mr. Cantin moved, seconded by Mr. Matte,

That, after the words "grant leases" in line 25, page 3 of the bill, the "comma" and the word "licences" be deleted.

The amendment was adopted and paragraph (e) as amended was adopted.

Paragraph (f) was adopted.

Mr. Cantin moved, seconded by Mr. Cowan,

That paragraph (g) be struck out and the following be substituted therefor:

- (g) establish and operate for hire in and about the City of Ottawa a service for the conveyance and transfer of goods by means of trucks or other highway vehicles, or other means of conveyance, and acquire, hold, guarantee, pledge and dispose of shares in any company having for one of its objects the establishment or operation of such a service.



After discussion, Mr. Ryan gave notice of an amendment to the amendment. The Chairman requested that copies of the sub-amendment should be made available to the Clerk of the Committee and to the Members before the next sitting of the Committee.

At 12.10 p.m. the Committee adjourned to 9.30 a.m. Tuesday, December 8, 1964.

E. W. Innes,  
*Acting Clerk of the Committee.*

*Note—The evidence, adduced and printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.*

## EVIDENCE

THURSDAY, December 3, 1964.

The CHAIRMAN: Gentlemen, I see a quorum. Last week we had reached section 10. Mr. Barnett.

Mr. BARNETT: Mr. Chairman I was wondering whether it might be agreeable under section 10 that we consider each subclause separately.

The CHAIRMAN: Yes, that is right. Is this the wish of the committee? Section 10, subsection (a).

Mr. ROCK: Mr. Chairman, since we have not got the figures for all these transactions that the National Capital Commission was supposed to have given us by today, I think that this clause should completely stand because this indirectly has a lot to do with the cost that the National Capital Commission will be paying towards all these things. So I think this question should completely stand until we have these figures and discuss them and question the National Capital Commission on them. You will notice, down here, you have "construction", "acquired land" which has lots to do with this cost. Therefore, before we go through this, we do not know at this moment the cost of the transfer of properties from one company to another and the properties that the commission is purchasing and handing over to this newly-formed company. So I believe that this clause should completely stand until we have these figures.

The CHAIRMAN: Mr. Rock, I have just been handed the figures which the committee requested on Tuesday. These figures are too complicated and too long for the committee to discuss the matters contained in this memorandum this morning and I was going to defer any discussion on this memorandum on expenditures until the next sitting. On section 4, which has to do with capitalization, you will be able to inquire as much as you like into the cost of land, etc. But section 10 has nothing to do with the actual cost of the transaction involved. These are the general powers which will be given the company. Specific powers you can inquire into under section 4, as I understood we would do, which relates to the capitalization and where we will have all the discussions we want on the transactions involved in the \$30 million.

Mr. CARON: On provision of land—

The CHAIRMAN: One moment, please.

Mr. ROCK: I think I still have the floor.

The CHAIRMAN: Yes.

Mr. ROCK: This is giving them the power to make these transactions and to Receive, take and hold all voluntary grants and donations of land or other property or any bonus of money or debentures.

This is exactly the power that you were to give them for this transaction.

The CHAIRMAN: Not only for this transaction but for any other transaction which certainly will be approved.

Mr. ROCK: Definitely in the future, but also this is giving them the power at this moment to carry out the transaction that is attached to the back of this bill and also giving them the power to incur the cost with the National Capital Commission.

The CHAIRMAN: I do not agree with you Mr. Rock; these are general powers of the company, these are not the actions of the company.

Mr. ROCK: But without these powers here, they would not be able to make this transaction.

The CHAIRMAN: Without these powers they could not do anything.

Mr. ROCK: Therefore, they should stand until we see these figures.

The CHAIRMAN: I am just trying to reason with you that we can discuss the general powers of the company without approving any agreements which they have reached at the present time. That is so. Because there are other powers in here, such as entering into contracts with telegraph and telephone companies, and so forth, which are not included in the figures which you are mentioning.

Mr. CARON: You have such things as building of hotels, disposal of the land they do not need, acquiring of property. They have to provide for terminal facilities; everything is included in this and until we have the figures I do not think we can discuss it.

The CHAIRMAN: I am in the hands of the committee. You understand that these are general powers of the company which are included in any company incorporation. They are not specific acts of a company.

Mr. BARNETT: Mr. Chairman, on the question of order, it does appear to me that, after we have considered general powers as set out in clause 10, and have come to some conclusion on whether or not these are as they should be, we would then be in a much better position to accept the details of the figures, either under clause 4 or under the schedule which sets out the memorandum and we can reach an understanding that clause 4 and the schedule would not be dealt with today. It seems to me, after general discussion on the outline of powers proposed under clause 10, we would be in a better position to deal in detail with the figures—

The CHAIRMAN: Then, we can deal with the schedule which is the agreement and also the cost outline. Is it the wish of the committee to proceed with section 10 (a)?

Mr. ROCK: No, I object. Mr. Chairman; I object strongly to this because I feel that if we do agree with this there is no use to go on with the cost.

The CHAIRMAN: What is the wish of the committee? All those in favour of proceeding with section 10 please indicate. Shall we go ahead with section 10? All those in favour please raise their hands.

Mr. REGAN: Mr. Beaulé does not know what vote is on.

The CHAIRMAN: All those against? All right we will go ahead. Section 10 (a).

Mr. CARON: I did not get that count.

The CHAIRMAN: The count has been given by the clerk.

Mr. CARON: I can ask for a recount. I think that it was 10.

The CHAIRMAN: Will you please stand? Those in favour? Those against? Suggestion on proceeding with section 10 agreed to.

Mr. CARON: I thought it was even.

The CHAIRMAN: Any question on 10 (a)? On 10 (b)?

Mr. COWAN: When do we get the figures? Having been assured that they would be in our hands yesterday morning, I would like to know if we might get them late today?

The CHAIRMAN: They are here.

Mr. COWAN: I would like to look at them. I will not go get one. They said they would give them to me yesterday morning.



The CHAIRMAN: Section 10 (b)?

Mr. ROCK: Excuse me.

The CHAIRMAN: Wait till we get those figures.

Mr. ROCK: Mr. Chairman, if we cannot stand the whole of clause 10 that we could stand possibly (a), for the same reasons as I mentioned before.

Mr. REGAN: We voted on that.

Mr. ROCK: Not necessarily, because the Chairman himself made the argument also that there are certain parts of this clause which we possibly should not stand. I still think that, and I will bring this argument out for Mr. Beaulé, who was not here before. I was arguing this case before, Mr. Beaulé, by saying that we did not receive the figures that we asked for last time. The National Capital Commission themselves are going to give millions of dollars for the transfer of land, rebuilding, relocating and all that. Therefore, if we pass all these items on clause 10, it is no use going through this anymore and this is the reason why I asked for a decision.

Therefore, even though we can go through clause 10, we still do not have to approve every item. We can stand certain items until we can go through these figures next week. I feel like standing clause (a) because this is to acquire such lands or any interest therein.

Mr. BEAULÉ: It is agreeable.

Mr. HAHN: Mr. Chairman, on the point raised by Mr. Rock, I quite agree. We cannot approve this specific transaction until we look at the figures. On the other hand, this is the clause that empowers this particular company to acquire certain lands. Now whether we like the financial provisions or not, if the company is to have any sense at all, it must have the general power given under clause (a) to acquire lands, and so on. It seems to me that clause 10 deals with the powers that are given to the company which we either agree with it or disagree with. We get down to the specifics of dealing with the figures and the cost incurred when we go back to clause 4. I think we can dissociate the two and approve in principle the acts the company should be allowed to do without reference to the figures. We then can deal with specific deals made when we get back to clause 4 on the figures.

Mr. ROCK: I quite understand that point; there is no harm in standing this until we have the figures. No harm whatsoever is done. Once you have approved in principle, you have approved directly or indirectly; you have approved because this is more or less an investigation and we are here to find out whether everything is quite in order, and to find out if everything is quite in order, we should investigate these figures and there are quite a few million dollars being spent for this relocation.

Mr. BARNETT: Mr. Chairman, on the question of order, I would submit that we have already settled some of the particular questions by a standing vote in the committee. Otherwise we would never complete consideration at all.

Mr. ROCK: Not necessarily, Mr. Chairman; I can still ask whether we still stand part (a) of the clause. In many committees we have stood separate parts of clauses. Just because you decided to continue with the clause, it does not mean that we approved the whole clause. I mean clause 10; so subclause (a) could stand.

The CHAIRMAN: Mr. Rock, if I may, I do not understand your argument at all. If it will help you, I will do anything, I will stand the whole bill. But, I am going to tell you one thing. I am a lawyer and for what I am worth as a lawyer, I am going to tell you that these powers which are being asked are the general powers of a company. They do not grant them powers to do any specific

act, but let us go ahead and stand subclause (a) and go to subclause (b), if that is the desire of the committee.

Mr. CARON: What is the big rush on that? We can go ahead with subclause (b).

Mr. HAHN: The same argument, Mr. Chairman, could be applied to subclause (b). I think that if we are going to deal with clause 10 as the vote indicated we should, we should get on with it.

The CHAIRMAN: But Mr. Rock has indicated that he wants it stood. I did not see any objections to standing it. Do you want another vote on subclause (a)?

Mr. REGAN: I do not think there is anything to be gained by standing this general clause because it is only on incorporation, but if it is going to stop our long filibuster, I am quite happy to stand it.

The CHAIRMAN: Stand subclause (a)?

Mr. ROCK: Yes, I say stand subclause (a).

The CHAIRMAN: Subclause (b)?

Mr. REGAN: Passed.

Mr. COWAN: In subclause (b) I quite agree with you, Mr. Chairman, as a lawyer that 10 (a) is the normal powers and privileges of a newly incorporated company but in subclause (b), I have underlined certain words; in lines 37, 38 and 41 you will find that for the purpose undertaken the company may provide parking areas and equipment and in lines 43, 44, 45, 46 and 47, such other property and facilities, as are suitable or advantageous for the receiving and carrying of passengers of such companies as desire to use the company's railway.

How many incorporation papers grant companies the right to organize taxi companies that are owned on a vertical trust basis? I am opposed to the Ottawa Terminal Railway Company going into the taxicab business, the same as—

An hon. MEMBER: Should we wait until we get to that?

Mr. COWAN: We are there right now, clause 10 (b).

Mr. CANTIN: That is in clause 10 (g).

Mr. COWAN: Well, I am underlining in clause 10 (b). It is also in clause 10 (g). I have subclause (g) underlined.

The CHAIRMAN: One moment, please. Mr. Cowan, I think Mr. Macdougall should be here to explain clause 10 (b).

(Translation)

Mr. BEAULÉ: Mr. Chairman, on a point of order, a question of privilege. I notice that the figures have been distributed only in English to all members. Would it not be possible to have them in French as well?

(Text)

The CHAIRMAN: Mr. Macdonald, are there any figures available in French at the present time?

Mr. D. L. MACDONALD (*National Capital Commission*): I am sorry, sir, we could not make it on time; we worked on this until late last night.

The CHAIRMAN: They will be available later.

Mr. BEAULÉ: When?

Mr. CARON: I think they only have to translate the first page—the rest are mostly figures.

(Translation)

Mr. BEAULÉ: Would it be possible to reserve section 4, until we receive the French copies.

Mr. CARON: It is reserved.

(Text)

The CHAIRMAN: Would you have the copies, Mr. Macdonald, on Tuesday next?

Mr. MACDONALD: Yes, we can.

The CHAIRMAN: Now Mr. Cowan, in connection with subsection (b)—did you hear the question Mr. Macdougall?

Mr. MACDOUGALL, Q.C. (*Solicitor General, Canadian National Railways*): Yes, I heard the question, Mr. Chairman. Subsection (b) is an empowering section and has nothing to do with the operation of taxi companies or the formation of taxi companies, if that is the import of the question. You will note that the marginal note is to provide terminal facilities and that it is in connection with the undertaking which is to provide the railway with related facilities. The general power is given there to either acquire by purchase or some other method or to build or in other ways provide or, once you get it provided, to modify it or change the general things that you would have in a terminal, such as tracks, sidings, yards and parking areas—equipment which might be a loader for piggyback operations or any type of equipment that would be needed in the terminal for the handling of freight and passengers in the terminal. I do not think that that section makes any provision for setting up taxi companies and this is borne out I think by the fact that in section 10 (g) there is provision in the form of the bill as drafted and as I have it, for the establishment and operation of buses and cabs, etc., which we will speak about when we come to that, because there are some problems in connection with it and there will be something said about that when we come to it.

Mr. COWAN: His words are not being taken down by a shorthand reporter. Are there any committee reporters? He says that this does not apply to taxis.

The CHAIRMAN: That is right.

Mr. COWAN: On the record?

The CHAIRMAN: Yes.

Mr. COWAN: I jlst point out that it refers to the carrying of passengers of such companies as desiring to use the company's railway. Well, if I desire to use the company's railway after this station is built at Hurdman's bridge, I presume I would get there in a taxicab although I might walk. When he talks about carrying passengers such as desire to use them that would include me. If he says that is not the taxi section, this is all right. I was watching both the (b) and the (g).

The CHAIRMAN: Mr. Beaulé.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I notice in subsection (b), a reference to a parking area. Will that projected parking area be operated by private enterprise or by the Ottawa Terminal Company?

(Text)

Mr. MACDOUGALL: This is a question which I do not think anybody can answer, since we have not got to the details of working this out, to the point where we know just how this is going to be handled but, I think that . . .

(Translation)

Mr. BEAULÉ: Mr. Chairman, on a point of order. We are here to discuss a bill. The explanations are in the bill and we are told that no one knows what is going to happen. I feel we are entitled to know what will happen when the bill is passed. It seems to me that we have a right to know what will happen when the bill is adopted. It is, therefore, obvious that we get all the information before the bill is adopted by the Committee.



(Text)

Mr. MACDOUGALL: Well, all I can say on that is that we appear to give any information that we have with respect to the bill, but I think it should be realized that at the commencement of a new company of this kind, every detail is not known at the time one seeks incorporation. If you think in terms of the ordinary incorporation of a company where a decision is made to form a company and incorporation is made, I would think it is a lot less work if the arranging of the details of the corporate operation is in hand at the time the incorporation is sought than if actually developed at the time this incorporation was sought, because this is a little more complicated and a little more difficult than the incorporation of a private company. But we do operate some of the parking areas ourselves and in some other instances, we have private operators, if it is a large operation, such as the operation in Montreal, where we have a private operator. It depends upon what will give the best service and what is the most economic way to do it. We find in some areas it is more economical to do it ourselves and in other areas we find it more economical to have an established operator to do the work. So, all I can say is that as far as I know no decision has been made on how this will be actually dealt with. So that is the full extent of my explanation.

(Translation)

Mr. BEAULÉ: Will that parking area be a paying one for travelling customers?

(Text)

Mr. MACDOUGALL: Well, I do not think the intention is that we are going to set up the parking operation particularly. The object here is to provide sufficient space in the station grounds, so that people wanting to use the station facilities, would have room to park. Taxis coming to serve the public would have ample room to move and to set up a cab rank or something of that kind to serve the public. Or, should it be that the local bus services were to come to the station to serve the public, there would be room for them to operate and to pick up and set down passengers.

(Translation)

Mr. BEAULÉ: Yes, but in order to understand me well, I mean travelling people, those who take the train. They drive their own car to the station and want to leave it there until they come back from their journey by train and drive back home. Will there be parking facilities for those travellers? Who will operate that parking and will there be any charge for it?

(Text)

Mr. MACDOUGALL: Yes.

The CHAIRMAN: Section (b) carried? Mr. Barnett—

Mr. BARNETT: Mr. Chairman, there is one phrase in line 33 that rather puzzles me. I am wondering why the phrase "of such companies as desire to use the company's railway and related facilities", is there instead of the phrase, "such persons" which I would think would include companies. I cannot quite understand the meaning of that. Is this limited to incorporated companies? This relates to the question about provision of facilities for individuals. I am puzzled by the use of that phrasing; I wonder if that could be clarified?

Mr. MACDOUGALL: The phraseology of that section refers to buildings, structure, tracks, sidings, connections, yards, etc.

These are the facilities that are going to be made available by the Ottawa Terminal Railway Company for presumably the Canadian National and/or

the Canadian Pacific. This is the heart of the empowering section which authorizes the terminal company to establish the facilities which it will need to give service to the two railway companies. That includes the service which may be required by them for passengers and for freight.

Incidentally, the service would of course then be handed on to the actual customers of the two railway companies but this section is related to the terminal company: having the power to provide the facilities that are required by the Canadian National and the Canadian Pacific who will use the terminal company's facilities to give service to the customers for passengers and freight.

Mr. BARNETT: On that point then, could I ask this further question? Is this phrased so that if, at some future time, by some other act, it was decided to allow the building of another railway into Ottawa, that the terminal company could service them in addition to the Canadian National and the Canadian Pacific.

This is probably a hypothetical situation but it could happen.

Mr. MACDOUGALL: I think that this is the general reason for referring to such companies because, looking ahead for a good number of years, it is practical to use a generic term rather than a specific one in referring to the railways.

The CHAIRMAN: Does subsection (b) carry?

Carried.

The CHAIRMAN: Does subsection (c) carry?

Carried.

The CHAIRMAN: Does subsection (d) carry?

Carried.

The CHAIRMAN: Does subsection (e) carry?

(Translation)

Mr. CANTIN: Mr. Chairman, I would like to propose an amendment here to obliterate the word "licences".

(Text)

I move an amendment to withdraw the word "licence".

Mr. REGAN: Is this in subclause (e)?

Mr. CANTIN: Yes, subclause (e). We have had some representations from the city of Ottawa—

The CHAIRMAN: One moment please, could you give me a copy of your amendment?

(Translation)

Mr. Cantin proposes a motion, seconded by Mr. Matte, to amend subsection (e) of section 10 by omitting the word "licence".

(Text)

The CHAIRMAN: It is moved by Mr. Cantin and seconded by Mr. Matte, "That subclause (e) be amended by striking out the word "licences". Would you explain Mr. Cantin?

Mr. CANTIN: We have had some representations from the city of Ottawa and the national council not to give such permission to this company to issue licences.

Mr. MACDOUGALL: Perhaps I might make a comment on that Mr. Chairman. The representatives of the city of Ottawa spoke to the railways about this point and we have no desire to get into any difficulties or differences between ourselves and the city. We are quite happy to have the word "licences" taken

out of there. The power will remain to us to grant leases. This power is in there to deal with the people who want concessions on the station property and we were quite happy to have the word "licences" taken out of it, if it is apt to cause any conflict with the powers of the city of Ottawa.

The CHAIRMAN: On the amendment?

Mr. ROCK: Just a minute.

The CHAIRMAN: We are not passing the amendment.

Mr. ROCK: There may be something there that we are not thinking of.

The CHAIRMAN: On subclause (e).

Mr. BARNETT: I am no authority on drafting but it appears to me that the amendment should also include the deletion of the comma.

The CHAIRMAN: Yes. Mr. Barnett has brought to my attention that the comma should be left out after the word "leases". Does subclause (e) as amended carry?

Carried.

Subclause (f).

Mr. PETERS: I would like to know if under this clause, the railway companies are retaining a piece of property from the National Capital Commission, located in the present station area, for the erection of a hotel?

Mr. MACDOUGALL: I am afraid that I do not understand the question, sir.

Mr. PETERS: Well, the present station and its yarding facilities have been transferred to the National Capital Commission. Is one of the railways retaining a piece of property in that area to build that 500-room hotel?

Mr. MACDOUGALL: No, I do not think so, but I do not know.

Mr. PETERS: Well, it would seem very foolish to buy it. You are not going to build a hotel in Alta Vista, I don't expect. Somebody is going to build this 500-room hotel, why not the railroad companies.

Mr. MACDOUGALL: I can't tell you who is going to build it, I do not know. I do not even know whether they are going to build it or not. But this empowering section would mean—as I say again we will have to look ahead for a good number of years. In fifty years time, you might have a hotel or more than one hotel built in some part of the Ottawa area by this company. I do not know. This would empower them to do that at the appropriate time. That's all.

Mr. BARNETT: Could I ask a further question? This section as drafted would empower at some future time the Canadian National Railways to sell the Chateau Laurier to the Terminal Railway Company. Could this be done under this authority?

Mr. MACDOUGALL: It would mean that this company would have the power to operate or manage a hotel. It could be the Chateau Laurier, but I don't think that this is the intention of the company.

Mr. BARNETT: I am not, by my question, advocating that the Canadian National Railways do that, but I was just wondering whether this could be done.

Mr. COWAN: When they talk about conveniences, does that include taxicabs, too? I would like to have that on the record as "no" because I don't want to come back later and be told that this gave them the right. Does that include taxicabs?

Mr. MACDOUGALL: I don't know that I am an expert as to what the word convenience means and everything it would cover.

Mr. MILLAR: That only means washrooms.

An hon. MEMBER: Do they not have them in Toronto?



Mr. COWAN: Where they are going to build that new hotel, that little model, shows conveniences for dogs. There are eight or nine trees. Where is that little model? Did you see it the other day?

The CHAIRMAN: Shall Mr. Cantin's amendment carry?

Mr. PETERS: One more question on this clause. Do you contemplate only these things—you mentioned shops, warehouses, offices, etc.—only within the complex of the land you now have? The question Mr. Barnett asked is a very pertinent question. You are going to have a lot of money in that Terminal Railroad Company. We gave it all to you. You could easily buy the Chateau Laurier if you wanted to. The railway company itself is in the deal. But you get paid for it. You could quite easily go into this field in a fairly large way if you wanted to. Is that contemplated? Are you contemplating going outside of what is normally called a railway complex?

Mr. MACDOUGALL: I don't think, Mr. Peters, that there is any contemplation along the lines that you commented on, but this company will have the power, as was said already, to acquire this land and other things as it goes along over its life and it could be that sometime, I suppose, a hotel could be built on lands which it does not own at present, but which it will probably acquire, but I don't know. There is no such contemplation at this moment and this is all speculation into the future for the purpose of the section. It relates solely to the fact that if, as part of the undertaking of this company, the managers of the day consider that it is necessary to have a hotel or suitable to have a hotel or warehouse or something of that kind, they will have the power then to build one. This is quite natural and normal for an empowering section.

Mr. ROCK: Mr. Chairman, we are looking over clause (e). It says:

Acquire, erect, manage, operate or control hotels, restaurants, offices, shops, warehouses, storage and other rooms and conveniences.

Now, as to convenience, I just looked at all the others and nowhere are parking lots mentioned insofar as having the right to lease or to give them out as a concession is concerned. I would like to know from the legal adviser where, in any of these places, is the right to lease land for parking facilities. I am concerned about this. I would rather that you did not have the power to have a parking lot that you are going to lease, as the airports do today, to concessionaires who are charging the public a fabulous amount of money and I would rather that the railway shall not have this power.

I would like to know right here if that power is given anywhere in any of these clauses. I do not mind if they have a parking lot on their own, but to lease it out to concessionaires who are going to charge a fabulous price, as they do at airports, I am against it.

Mr. MACDOUGALL: I am not sure that—

Mr. ROCK: I just want to know what is covered by conveniences.

Mr. REGAN: I wonder if I might just say a word on that. I think Mr. Rock will agree with me that, surely, an airport is in a different position, because of the fact that it is quite isolated from the city, and as a consequence it is of necessity that the people, if they are to park on that huge piece of land and not walk a couple of miles, must park in that parking lot. It becomes capital. I think that with the railway it is not the same.

An hon. MEMBER: This is not the case here.

Mr. REGAN: I think that any company, if it is going to operate successfully, should have pretty well the same powers as Raymond Rock would have if he opened a business. You open a business and you see the advantage in doing such and such which is legal to make your business more profitable, that you as an

individual can. This incorporation seeks to put that company in much the same position and from the point of view of operating an efficient business, it is surely desirable.

Mr. ROCK: Except that the federal government is paying the full shot down here and therefore the capital expenditures are nil and therefore I do not see where they are going to make a profit on that.

Mr. SPENCE: I hardly think that they are, if you consider that the Canadian Pacific and the Canadian National are contributing pieces of land in return which they can sell on the open market for a pretty sum of money.

Mr. ROCK: I wonder. We will see that when we investigate this afterwards. I would like to know, Mr. Chairman, whether there is the right in any of these clauses here to give out a parking lot as a concession, like an airport.

Mr. MACDOUGALL: I think, Mr. Rock, as we have explained, there is provision here in the plans for providing facilities to the public at the station with respect to the parking or the ability of public vehicles, such as taxis, buses, or other conveyances to get in and out freely from the railway station to give service to the public. I don't think—

Mr. ROCK: I like the way you use the word "freely".

Mr. MACDOUGALL: "Freely" has to do with the ability of the cars to move more freely than they do at the present station where we have room for five taxis only, and when they are parked it is difficult for people in private cars to get to the station. This is one of the things that we are trying to improve. We are trying to have more room and more facilities so that people will be attracted and interested to come to the railway station. We are interested in attracting them for the business, because all we are interested in is to give service and getting the business from the public. Our purpose here, —pardon me, sir?

Mr. PETERS: That is a pious statement after the lecture.

Mr. MACDOUGALL: I think that is a true statement because railways have no other interest in being in business other than to give service to paying traffic and to make money.

Mr. PETERS: Not to serve the public, but to make money.

Mr. MACDOUGALL: To serve the public at a reasonable price.

The CHAIRMAN: Gentlemen, if we are going to have the witness answer the question, I think you should give him the opportunity to finish. It is better to object after than to interrupt the witness.

Mr. MACDOUGALL: As I understand the question, it was whether or not there is any provision in here which will empower this company to give a concession with respect to a parking lot. And the answer is yes. Under subparagraph (e) there is the right to grant leases and concessions. Now the concessions might be with respect to telephone booths, shops or a newsstand, any of the things which might be of interest to the people who are going to obtain service from the railway. This would include, as it does include in many other areas, the taxi provision, or it could include, as I said before, arrangements through a concessionnaire to handle a parking lot. In some areas, we find it is cheaper to do it that way; in some others, it is cheaper to do it by ourselves.

But we do think it is important to provide facilities for parking lots, turning areas, and things of that kind for public and private conveyances and that is the purpose of the power.

Mr. ROCK: Mr. Chairman, according to clause (e) I thought they were more definite in the way they mention the right in certain words. They say: "Hotels, restaurants" rather specific "shops, warehouses, storages and other

rooms and conveniences, and in connection therewith or any portion thereof grant leases and concessions." If we take the word conveniences out, then, I believe that you would be able to rent out as a concession the parking lot. Is that right?

Mr. MACDOUGALL: No, I do not—

Mr. Rock: You are very specific in what you could lease and grant leases to or concessions. It is hotels, restaurants, offices, shops, warehouses, storages—well, is a parking lot not storage in a sense?

Mr. MACDOUGALL: If I may say something, Mr. Chairman. If we just take, for example, the word "hotel", the company would have the right to acquire, the right to manage, operate or control hotels and in connection therewith or any portion thereof to grant leases or concessions. That I would think certainly would include the right to grant a concession on some of the hotel property for parking.

Mr. Rock: I am not too much concerned about the concession, let's say, for a parking lot for a hotel, but I am concerned about the John Doe public who has to come in to get a train or people coming to meet people that are getting off the train. They will have to pay to some concessionaire a fabulous amount of money for the privilege to park and to enter the station. This, I am against and I would like to know how to remove that from this bill.

Mr. MACDOUGALL: Mr. Rock, if I may say, and as you probably have noted, in the city of Montreal, we have parking arrangements at the Central station and have parking arrangements there for the general public, but there are also parking arrangements for the railway patrons. If you go there with your car, we provide free parking for the railway patrons for the first half hour. Now, this is an explanation of the type of things that we have done and perhaps indicative of the point we are trying to make. In providing parking facilities, we are trying to provide ease with which our customers can come to and go from the station. It would not necessarily cost the customer anything and we would expect to deal with this. Probably something will be done such as in Montreal, whereby there is free access for the customer to come with his car, and leave it there for a reasonable time to meet people or pick up baggage or do whatever there is to do.

Mr. Rock: All right.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I have a supplementary question. I think that hotel parking lots are meant for hotel customers who are not paying for parking. Why should they pay for parking when they are travelling by railway?

(Text)

Mr. MACDOUGALL: That is what I just mentioned, Mr. Beaulé. In Montreal they do not pay for parking when travelling by railway or picking up baggage. They get half an hour free parking at the Central station in Montreal.

Mr. BEAULÉ: But they do pay in Quebec.

Mr. MACDOUGALL: I am not sure that I know the details of the situation in Quebec, but I presume there must be some way by which they can get to the station without paying for the privilege of parking at the station. I doubt whether they would pay in Quebec for the privilege of parking at the station or to pick up somebody.

Mr. CARON: What does it cost if you leave your car the full day? If you go to Montreal, for the day and return to Ottawa to pick up your car, how much would it cost?

Mr. MACDOUGALL: I am afraid I cannot answer that, I do not know. It would probably cost the going rate in that type of service.



Mr. CARON: Almost as much as the train.

Mr. MACDOUGALL: I do not know.

(Translation)

Mr. GUAY: Mr. Chairman, I would just like to know if there is a possibility of operating it the same way as in Quebec, where I believe the parking lot is owned by the CNR but is operated by the City, with the undertaking of reserving part of the parking area for the staff or others if the staff does not use all the area. That is the agreement which was concluded at Lévis, and I think it is a favourable one. Whoever is just passing may park if the staff is not using the whole area reserved for them, but parking is operated by the City under a surrender or a rental arrangement. The parking area is operated by the City itself. I think that is the case in Quebec City, but I am not positive. For Lévis, such is the case. So, is there any possibility of adopting here the same system or does the CNR wish to operate the parking lot themselves at so much per day? If one has to spend one hour waiting for or to accompany someone, will the charge be for one day or one or two hours?

(Text)

Mr. MACDOUGALL: I think that the general answer I gave before is the answer to that question and our policy is not presumably the same here. We want to provide some facility at the station where people can come without any charge and pick up passengers and set down the passengers. If people want to park their car for a day, this gets into the realm of what is the competitive charge that they would expect for parking their car for the day, and presumably there is no more obligation on the railway to provide free parking for a day than there is for a private operator.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I have asked a question a little while ago, but I have received no satisfactory answer. I have asked why it is that a passenger travelling by train has to pay for parking his car while on his journey, whereas a hotel customer does not pay for parking when he stays at the hotel.

Mr. CARON: Probably the hotel is charging him more than the railway company. Twenty dollars a night.

(Text)

Mr. BEAULÉ: May I have an answer to that?

Mr. BARNETT: Mr. Chairman, on the question under discussion, I must confess that I am a little bit puzzled by the answer that were given, on this question, concerning parking areas, there is specific . . .

(Translation)

Mr. BEAULÉ: Mr. Chairman, I have not yet had an answer to my question.

The CHAIRMAN: Mr. Beaulé, I think Mr. Macdougall answered that he does not feel he can make a comparison between a hotel and a railway. There is no answer to that question.

Mr. BEAULÉ: It is not a comparison between the railway and the hotel, it is comparing parking for customers of a hotel owned by railway companies which is free, with the stations of the same railway companies where parking has to be paid for by the same customers. Then, I would like to have an answer. What makes the difference?

Mr. CARON: I can give you my opinion. The hotel is charging from twelve to twenty dollars for one room which is considerable, whereas the railway is charging \$2.65 for a trip from Montreal to Ottawa. I think that is the only difference.

Mr. BEAULÉ: They could say so, but they don't dare.

(Text)

Mr. BARNETT: Mr. Chairman, in part of the answer given by Mr. Spence, where he made reference to including hotels and parking facilities for hotels I doubt the wording of clause (e) a bit, particularly in view of the fact that subclause (b) makes specific reference to parking areas which under the terms of that subclause can be acquired, constructed and operated. No reference is made to leasing, whereas in the clause that we have under immediate consideration, certain facilities are mentioned; and as suggested earlier, unless the term conveniences would cover them I fail to see where we are in effect departing altogether from the merits of the question: authorizing under the phrasing the leasing of a parking area to a concessionnaire. I think it would be desirable if the railway companies were to offer a direct parking area adjacent to the station, rather than leasing it as part of their over-all plan of parking facilities. But I am a bit puzzled at the replies which would indicate that this bill as drafted does give to the proposed terminal company the authority to lease a parking area in view of the specific reference in the earlier subclause to parking areas which they can construct and operate.

Mr. MACDOUGALL: I think that under clause (b) the powers are pretty general, to acquire, construct, provide, modify, improve, maintain and operate parking areas. That power lies with the terminal company and I suggest that operating parking areas might mean operating by the terminal company itself or by some lessee of the terminal company.

Mr. BARNETT: You feel then that the term "operate" is broad enough to include leasing if that were considered desirable by the company.

Mr. MACDOUGALL: I should think so. It is a very broad section.

Mr. BARNETT: In that connection, I am puzzled over the difference in the phrasing. The subclause we have right before us specifically spells out the right of leasing.

Mr. MACDOUGALL: Yes, the right of leasing is mentioned there. I do not know that the promoters were particularly concerned with parking areas in that section as much as with these concessions that you see in hotels and stations: shops that can be put in to earn a little extra money for the companies through rental. Naturally, I would think that the management and operation, for instance, of a hotel would include some area around the hotel for parking whether the hotel operated it itself or whether it gave a concession for that purpose. I think that would be within the power of the hotel as a hotel.

Mr. BARNETT: It seems to me, from the way the bill is drafted, the clear implication is that it is much more likely that shops and things like that would be leased rather than parking areas.

The CHAIRMAN: Shall Mr. Cantin's amendment carry?

Carried.

The CHAIRMAN: Shall the section as amended carry?

Carried.

The CHAIRMAN: Shall subsection (f) carry?

Carried.

The CHAIRMAN: Shall subsection (g) carry?

Mr. FISHER: I just want to ask Mr. Cantin if his amendment will have anything to do with trucking.

Mr. CANTIN: For passengers, I move that all this paragraph be deleted and that the following be substituted therefor:

Establish and operate for hire in and about the city of Ottawa a service for the conveyance and transfer of goods by means of trucks, or other highway vehicles, or other means of conveyance and acquire, hold, guarantee, pledge and dispose of shares in any company having for one of its objects the establishment or operation of such a service.

Mr. COWAN: I will second it.

Mr. ROCK: You are taking the passengers out; is that it?

Mr. CANTIN: Yes.

The CHAIRMAN: Mr. Cantin, seconded by Mr. Cowan, moves, that subsection "G" be replaced by the following:

Establish and operate for hire in and about the city of Ottawa a service for the conveyance and transfer of goods by means of trucks or other highway vehicles or other means of conveyance and acquire, hold, guarantee, pledge and dispose of shares in any company having for one of its objects the establishment or operation of such a service.

Now, in effect, Mr. Cantin's amendment will delete four words.

Mr. CANTIN: On line three, the words "and passengers", and on line four the words "buses, cabs".

Mr. ROCK: I hope that this does not mean that the Canadian Pacific Railway cannot transfer passengers to the Canadian National Railway.

Mr. FISHER: I am prepared to have the question and have the amendment carry, but then when the amendment is carried, as I assume it will be, I would still want this open for discussion, because I want to bring in the question of trucking.

The CHAIRMAN: Shall the amendment carry?

Mr. PETERS: Could I ask why the government is recommending this?

Mr. CANTIN: We have had representations from the city of Ottawa.

Mr. PETERS: Can you explain what it means?

Mr. MACDOUGALL: Mr. Chairman, perhaps I could say a word on Mr. Cantin's amendment. The bill as drafted before you is in the same general form that has been used in bills of this kind before, notably the Toronto Terminal Company Bill, to provide the power, but the Ottawa Transportation Commission made representations to the companies and to the government, because they have an exclusive franchise for handling passengers in and about the city of Ottawa which was given to them by parliament. These powers would transgress upon the exclusive franchise of the Ottawa Transportation Commission. We have no desire to do that, or to get in any conflict of that kind. We quite gladly agreed that the reference to passengers should be removed so that there could not be any idea that there was a conflict. That is the purpose of the amendment.

Mr. PETERS: Could I ask a question? As I understand it, you are going to have one connection with Hull on one of the railroads, I am not sure which one, but you are going to have one connection; you are also going, no doubt, to have a line on the Quebec side, and I do not know which railway, but it may be the Canadian Pacific is operating a certain sector of north shore—or whatever you call it—that has not got a connection, actually to the east-west passengers. There may be one of the passengers of the Canadian National that will wish to go on to an area near Lachute, or somewhere that is only served by Canadian Pacific. This, if you think this out, means that the railway cannot provide road communications or a connection between those two railway areas.



Mr. MACDOUGALL: I think it would mean that if there were a passenger bus service set up to transfer passengers, it would have to be done by some party other than the Ottawa Terminal Railway Company.

Mr. PETERS: Other than what?

Mr. MACDOUGALL: Other than the Ottawa Terminal Railway Company. It would have to be done by the Ottawa Transportation Commission or some other party that is empowered to do that.

Mr. PETERS: Are you not now empowered to do this under the terms of the Railway Act? Do you not have this right now to transfer your own passengers to another line? You sell a ticket—to Lachute from North Bay, we will say—and if the train only goes to the Ottawa Terminal and then goes to Montreal via Dorval, you do not take that passenger, so you would transfer him to another line where you have communications to Lachute via the north shore, the Canadian Pacific Railway for instance. You now undertake to supply this transportation, you sell a ticket on the basis of supplying transportation. Do you not have these facilities?

Mr. SPENCE: Not the railway company itself. The railway company would make an arrangement or contract with a bus company or with a taxi company to transfer its passengers but the railway company itself does not operate buses on the highways for purposes of that kind. It is always done by contract as far as the Canadian Pacific is concerned.

Mr. CARON: But what if they use buses? Take the Ottawa buses. They only come into the city of Hull; they do not go inside it. Those living two and even three miles inside the city of Hull would have to take two buses to go there. That means an impossible increase for the people of Hull because the Canadian Pacific Railway do not want to give us service on the other side. They want to take away the trains, without giving anything to replace those trains. That is what I do not understand, and I never will. They should have more trains and tracks on the other side. There is nothing in the bill dealing about this.

The CHAIRMAN: Will you comment?

Mr. SPENCE: The only comment that I can make is that there was this objection taken to the infringement that apparently was contemplated—or at least unintentionally contemplated—on the exclusive rights of the Ottawa Transportation Commission and when that was pointed out to us, we said that we had no intention of trying to infringe upon their territory or their rights. Therefore, we were quite prepared to leave the field to them since this was apparently—

Mr. CARON: The poor people have to pay for it.

Mr. TARDIF: What does a passenger from Hull do now? That is, he is on Preston Street and he wants to go to where the Beamer Station is now. What does he do? Can he go there by taking one bus or must he take two buses?

Mr. CARON: He takes on bus.

Mr. TARDIF: No, he cannot.

Mr. CARON: Yes.

Mr. TARDIF: How does he do it?

Mr. CARON: Any bus, but he has to transfer from one bus to another; but he takes the bus.

Mr. TARDIF: Well, if he took an Ottawa Transportation bus he could only get into the edge of Hull. If he wants to go to St. Redempteur Street, for instance, he has to take a Hull bus.

Mr. BEAULÉ: That is out of order, Mr. Chairman.

Mr. TARDIF: Sure, it is out of order.

Mr. PETERS: Well, Mr. Chairman, I am not so sure it is—

Mr. CARON: It is 3 miles away from the Ottawa bus and this he will have to pay for.

Mr. TARDIF: He has to take two buses.

Mr. CARON: You seem to believe that there is only the Ottawa people who take this bus, but we have the city of Hull as well. We have to take the share of the city of Ottawa and this is the reason why I am here.

Mr. TARDIF: I was suspicious that there was a city of Hull. Now, I am glad you reassured me.

The CHAIRMAN: Order.

Mr. ROCK: The gentleman from the city of Ottawa. Do you represent the city?

The CHAIRMAN: We have Mr. Beament here who is counsel for the Ottawa Transportation Commission. Do you want to question him?

Mr. ROCK: Yes that is the fellow I want to question. It was stated here that the—

The CHAIRMAN: This is Mr. Beament, Q.C., of the city of Ottawa.

Mr. ROCK: I understand then, that according to statements made here. Mr. Chairman, that the Ottawa Transportation Commission—as it is called?

Mr. A. W. BEAMENT Q.C. (*Counsel for the Ottawa Transportation Commission*).

Mr. ROCK: It is said that you have complete jurisdiction over transportation within the limits of Ottawa. Is that true?

Mr. BEAMENT: No, we have no jurisdiction over taxi cabs.

Mr. ROCK: No, I mean buses.

Mr. BEAMENT: Yes, I think that is so. You see the Ottawa Transportation Commission is subject to the jurisdiction of parliament. It resulted originally, prior to the Ottawa Transportation Commission coming into being, really its predecessor was created by a pre-confederation statute of Canada and then at a later date another company was created. The first company had nothing but horse cars. Along in 1890-91, when electricity appeared to be feasible for the operation of municipal transportation systems, the province of Ontario created another company by letters patent. At one time in the very early nineties Ottawa had two municipal transportation operations, and they entered into an agreement with the city of Ottawa which obviously contemplated two things: one, extending their operations into the city of Hull, and, two, amalgamating these two companies at some suitable time. That agreement was approved by parliament and incidentally by the province of Ontario because presumably the city of Ottawa was party to it, and the works of the two companies were declared to be works for the general advantage of Canada. About a year later the amalgamation act was passed by parliament and these two companies then became the Ottawa Electric Railway Company, which continued to operate under the statutes of Canada; but throughout in those statutes in so far as details of operation were concerned, parliament was always meticulous to see that they were made subject to the laws of Ontario in relation to the operation of municipal transportation systems of like nature.

Under one of these earlier acts of 1894, I think, confirming the agreement, the city of Ottawa had the right to purchase the operating assets of a company, and in 1948 they exercised that right after a plebiscite and the price had been fixed on a formula basis and they agreed to a price somewhat less. In the meantime the province of Ontario had passed the Ottawa City Transportation

Act, many years before and it had contemplated the possibility of the city at some time exercising its right to acquire the operating assets of the Ottawa Electric Railway Company. In 1948, when it became apparent that the right was going to be exercised, Ontario passed rather drastic amendments to that act to provide for the operation of municipal transportation systems. At that time, quite apart from the declaration contained in the Act of 1894, that this was the works for the general advantage of Canada, the company was, in fact, operating into the city of Hull and therefore the declaration, although in intermediate acts, was really not necessary because it remained subject to the jurisdiction of parliament because of the nature of its operations.

In 1949, 1948, actually, the agreements provided that the city, through its statutory agent, the Transportation Commission, would take over the operation of the system, which at that time was part bus and part street railway, and it was necessary for the commission to go to the minister of transport of the day and get an operating certificate under the Railway Act because parliament was not at that time in session. A private act was passed in April 1949, approving the agreement and providing that so much of the operation—it took the Transportation Commission out of the operation of the Railway Act where the predecessor company had been, and it provided that, I have the words here, but fundamentally that its transportation operations in the province of Ontario would be subject to any general act affecting transportation or any special act affecting this operation in particular, and the same thing with regard to the province of Quebec, because it was contemplated that the transportation commission would continue to provide facilities to the city of Hull and sometime afterwards, I cannot remember the date, Mr. Caron may remember, they switched from street cars to a bus operation.

Mr. CARON: In 1953.

Mr. BEAMENT: —In 1953, and Mr. Caron will remember the negotiations that resulted in a terminus being set up in Hull.

Mr. CARON: Rather hard. I know because I was the mayor.

Mr. BEAMENT: Mr. Caron, who was then mayor provided every possible facility. In the meantime the commission had gone on an all-bus operation. As a result of that background—I may say that the policy of parliament was always to impose on the operation, in so far as the transportation system was concerned, the law of Ontario. Thus although we are subject to the legislative jurisdiction of Canada, we have to get all the licences which are appropriate to any other transportation system operating in the province of Ontario. In other respects, we are still under the legislative jurisdiction of parliament. For instance, our labour relations are governed not by the Ontario labour code but by the dominion labour code.

(Translation)

Mr. LEBLANC: Mr. Chairman, on a point of order. I wonder if we have not gone far astray from the bill.

(Text)

Mr. ROCK: Not necessarily.

(Translation)

Mr. LEBLANC: I understand we have made an amendment with regard to the Ontario Commission, but, on the other hand, I don't think the history of the Transportation Commission now being discussed does concern the bill.

The CHAIRMAN: As regards the Ottawa Transportation Commission, it is very important because this is the reason why we omitted the words "buses", "passengers", etc. in the section. That is why the clause was amended. It is because the Ottawa Transportation Commission has the exclusive right of transportation in the city and in the suburbs of the city of Ottawa.



(Text)

Mr. ROCK: You see, I want to know whether we have to remove buses and I will come to this later on after the gentleman has finished.

Mr. BEAMENT: Well, in 1954, the privy council decided that a company operating buses from one province to another was not subject to any of the laws of the provinces regarding licences, and it went so far as to say that if they were operating a bona fide interprovincial operation they could pick up and drop passengers entirely within the limits of one province without control under the provincial status. As a result of that, parliament in 1954 passed the Motor Vehicles Transport Act. Now the government of Canada, as I understand it, had no facilities for licensing motor vehicles throughout Canada. So the effect of that statute was to make, insofar as the operations to which it applied, the local highway transport board the agent of parliament for the purpose of granting licences. It made these operations which were subject to the jurisdiction of parliament subject to provincial law in relation to things of that kind. The act applies, I think, to a provincial undertaking meaning "a work or undertaking for the transport of passengers or goods by motor vehicle connecting a province with any other or other of the provinces extending beyond the limits of a province". It does not describe it as an operation carried out by an organization subject to the legislative jurisdiction of parliament. Now this proposed act, in my very humble opinion, properly states in section 19 that the works and undertakings of the company are hereby declared to be works for the general advantage of Canada. That takes them out of the jurisdiction of the province, but it does not bring them within the jurisdiction of the Provincial Motor Vehicle Transport Act because of the definition of the type of operation which they supply and because they are not running between two provinces or outside one province. They are entitled to carry on their business in or about the city of Ottawa, which is entirely in one province presumably. I just want to show you the evil of this if it were allowed to stay insofar as the Transportation Commission is concerned.

Under our Ontario legislation, we have unrestricted rights to run in the City of Ottawa. I think really, if it were not that we were not apt to do it, we could determine what streets we would run on and where we would stop our buses. We have never done that, and I am not suggesting that we could. We have unrestricted rights to run in adjoining municipalities in Ontario, on routes that we were operating at the time—in August 1948. That aspect of the matter has become unimportant now because the area to which that would apply has since been brought into the City of Ottawa by annexation. If, however, we want to run, even for a few hundred yards into the Township of Nepean, or into the Township of Gloucester, which are the two townships closest to Ottawa, we have to get a by-law of the township permitting it because we are subject to the legislation of 1949, which is provincial legislation. We have also to apply to the Ontario Highway Transport Board for a certificate of public necessity and convenience in relation to the re-routing.

We are completely under the control of the over-all picture. We have to satisfy them with regard to competition with other operations which may have been licensed under the Public Vehicles Act in Ontario in the areas in which we choose to run. Now, under this act it is wrong. This Ottawa Terminal Railway Company could just run into any place—it could run a bus route into Nepean. I do not suggest that that was ever the intent of the railway, but it points out the evil.

There is no restriction in this act, if they want to run buses, bringing them under provincial jurisdiction.

When this was brought to the attention of the Transportation Commission, we had conferences with the railway, we had conferences with the National

Capital Commission, and we had conferences with the Department of Transport. These four agencies agreed, and I have the letters here, that this sort of thing was never intended and that those words should be taken out of the act. We do not believe in unrestricted operation; we do not believe in anybody being entitled to come into Ontario without any controls from the Ontario authority. There is no dominion authority to govern in detail, to grant licences, etcetera. There is no control. We do not believe in that.

Mr. ROCK: Surely this central station will be receiving passengers and goods from all over Canada and, in my humble opinion, it will be to the general advantage of all Canada—

Mr. BEAMENT: Oh, I think so. I do not talk about section 19 at all. I think it is essential.

Mr. ROCK: How is it then, since your Commission has so much power, or has received so much power, that the provincial transportation buses have their central terminus here in Ottawa and bring in passengers, tourists let us say, school children and the like, from other parts and they do not let them out at their central terminus but drive them all over the City of Ottawa to see all the buildings.

Mr. BEAMENT: You are referring to Colonial Coach?

Mr. ROCK: Yes. Where do they get this power from now?

Mr. BEAMENT: They must have that power by reason of licences granted by the Ontario transport department on the recommendation of the Ontario Highway transport board, because people cannot run from one municipality to another.

Mr. ROCK: You are not getting my point. I am not saying that they should not go from one municipality to the other. I am saying they do take bus loads of school children from many places in Quebec or Ontario. They do not bring these school children to the terminus and let them go onto the local buses but they themselves travel all over Ottawa on a sightseeing tour.

Mr. TARDIF: They only do that if it is a chartered bus?

Mr. BEAMENT: They can do that.

Mr. TARDIF: Only if it is a chartered bus?

Mr. BEAMENT: Yes. Just if it is a chartered bus. The regular routes finish at a terminus in Ottawa but chartered buses come in and do that. They do not do the thing that we object to; that is, pick up and discharge passengers within the city of Ottawa.

Mr. ROCK: Then, now I—

Mr. BEAMENT: We could not pretend that we could bring in a busload of children from Ogdensburg to see the parliament buildings. We do not think that this is competing with us.

Mr. ROCK: Right, that is very good; I am glad to hear that.

Mr. BEAMENT: We are in favour of that. You see we are a local transportation system, but as Ottawa gets these dormitory areas, which are outside the municipal limits, we feel a duty to service them and this continuous process entering into contracts with the adjoining developers and the adjoining municipalities creates service further.

Mr. ROCK: You see, Mr. Chairman, I was just getting to one point which I can clarify now. This idea of removing the word "buses", I think is good for this reason. The two railway companies, the Canadian National and the Canadian Pacific, are at a disadvantage compared to the provincial transportation buses, because when they have many school children coming from all over Canada to visit this place, they have to get off the trains and walk and visit parliament

and the other interesting sights of the federal government. Therefore, I think that this newly-formed railway company should have at least the authority to have its own bus service of some kind to which it could transfer its passengers, or tourists, who come in chartered trains in a sense, because they do, let us say, ask for sufficient students to fill one or two cars. I think that they should have the power also to operate buses for the same purpose. And I think somewhere in this bill they should have power to at least operate these buses as they wish to for that purpose.

Mr. BEAMENT: May I say a word about that? There are three, adequately equipped, serviced and operated bus companies in the city of Ottawa with motor vehicle facilities, licenced drivers and all this kind of thing, who are prepared to provide exactly that service. They are in competition. The Ottawa Transportation Commission is one, the Colonial Coach Lines is another, and the third one escapes me.

This whole matter was canvassed in great detail before a full sitting of the Ontario highway transport board some three or four years ago on the application of a fourth bus company who wanted to provide for chartered services within the city of Ottawa—and incidentally wanted to provide some minimal service outside the city. That was the fact, to get a chartered service; and the Ontario highway transport board, after a very long hearing, said there was absolutely no necessity. These three systems, well-managed, well-serviced organizations, have proven themselves to be absolutely capable, on a charter basis, of providing service of the nature you are asking about.

Mr. ROCK: I agree with what you just said, but the point is that the Canadian National and the Canadian Pacific Railways are at this disadvantage. These companies that you mentioned can go anywhere in Ontario. Colonial can come right into Montreal, pick up school children, but loads of school children, come here into Ottawa and then make a sightseeing tour throughout the Ottawa and Hull area; and yet the Canadian Pacific and the Canadian National have not the right to do that. I think that through this company they should have that right.

Mr. BEAMENT: I suggest not. I suggest that if the Canadian National and the Canadian Pacific want to do it, either one of them could apply, but they should have to go to the Ontario highway transport board and get a public vehicle licence.

Mr. ROCK: I agree, but at the same time we have to give them the power in this charter to do so. I know that they will still come under provincial jurisdiction, but I believe that in this instance the word "buses" should not be removed.

Mr. BEAMENT: Well, I do not mind, at least the transportation commission, I am sure, does not mind, how many people get certificates of public necessity and convenience to operate from outside the limits of Ottawa into Ottawa, but, under that certificate they cannot drop and pick up passengers in the Ottawa area.

Mr. ROCK: I would not want them to do that, I would want them at least to have the power to operate a bus service of their own or to make arrangements towards that end. They should have that power to handle their tourists in the proper way. Let us say that certain schools charter so many cars. The Canadian National and the Canadian Pacific, through this projected company, could also transfer them on to their own bus service and take them on a guided tour around Ottawa.

Mr. BEAMENT: I doubt very much, with great respect, Mr. Chairman, whether that is a problem, but, if it did become a problem at some time and the railways, or one of them, felt that they were being ill-served, I can see



nothing to prevent them from getting a letters patent company incorporated in one of the provinces, which would then be subject to the clause to your own act and to their own motor vehicle transport act. Let them operate that type of subsidiary, which is not an essential element of a terminal, under the laws of the province in which they are running as a separate and public enterprise.

Mr. ROCK: Mr. Chairman, I would like to know what the two legal advisers of the Canadian National and the Canadian Pacific think of what I just said.

Mr. SPENCE: Well, speaking for the Canadian Pacific, Mr. Chairman, we feel that our primary interest is in carrying passengers by rail and we are very glad to have these tours of school children come to Ottawa. We think they are well served now, because when they arrive in Ottawa by rail, arrangements can be made by those tours to charter buses from the Ottawa Transportation Commission or one of the other carriers, and carry these children around Ottawa to their hearts' content. We do not feel that we would be filling any need by having a bus company of our own to do that because the facilities are already there.

Mr. ROCK: Then you have no objection to this word "buses" being removed?

Mr. MACDOUGALL: None whatever.

Mr. REGAN: Just one thing arises out of Mr. Caron's question. We do have someone here from the National Capital Commission, I think, Mr. Chairman. I don't think it is necessarily germane and probably isn't germane to this bill but I think that Mr. Caron has an excellent point. The National Capital Commission has recognized Hull as part of the area by acquisition of lands and parkways over there. At a time when they are moving the railway station further away from the citizens of Hull, if, as he suggests, that is going to mean they are going to have to pay two separate bus fares to get to the station as compared to one at the moment—if he is accurate in that—then, I certainly think that there is a responsibility on the National Capital Commission or some federal authority to look into the possibility of developing a system whereby you could transfer from the Hull public transportation system to the Ottawa public transportation system without paying a second fare. I think that that is owed to the people in the Hull area and I think it should be the concern of the National Capital Commission because, after all, it is their idea that this station be moved.

Mr. CARON: I think they should build a station outside of Hull and they should put a train on that line.

Mr. PETERS: This is an important question. I have the idea in mind that the capital commission is probably more involved than the railways. I would like to ask the Ottawa railway witness a question: You made this application to the government to have the government members remove this section from the bill. In doing this, did you provide the alternative that Mr. Caron asked for?

Mr. BEAMENT: Oh, no.

Mr. PETERS: Well, are you willing to do so?

Mr. BEAMENT: Oh, I can't answer that. That is a matter for the committee.

Mr. PETERS: Well, then, how can you really expect us to agree to this if we are eliminating a service, or a series of services, that are now being provided that will not be provided under these terms? I believe that the link between the railways on the Ontario and Quebec side, with the one exception, has been pretty well severed. This means that people being serviced by those railroads are at a great disadvantage. Now, it isn't unusual for a railroad to operate a bus service. The Ontario Northland Railway has operated buses for years.

Mr. BEAMENT: I am quite well aware that it is owned by the province of Ontario, but they do operate this bus service quite extensively.

Mr. PETERS: And I see no reason why the Canadian National and the Canadian Pacific shouldn't operate this, unless, as they say, they do not wish to do so but we, as members of parliament, are going to have to provide that link. If you are not prepared to provide it, then I think we have to insist that the railway or the capital commission provide it.

Mr. BEAMENT: I do not think, if I may say so, Mr. Chairman, that is a very fair question—that it is a very fair statement to say that if I am not prepared to provide it, others must. I don't know what the views of the transportation commission would be if the matter were put to them. It would obviously have to be put to them. It would be really a step towards a federal district or a national capital district transportation system.

Mr. PETERS: I have followed very carefully what you have said and I presume this is what the government had in mind originally in granting you a national charter?

Mr. BEAMENT: I don't think so.

Mr. PETERS: Did you not buy the Hull Electric Railway at one time?

Mr. BEAMENT: No, no, never. Historically, the Hull Electric Railway ran from Aylmer to Hull and so on and into, under the parking area beside the chateau. Their station was downstairs and I think you can still see the entrance to the station. Then they went out of business—I believe for economic reasons.

An hon. MEMBER: They were put out of business.

Mr. BEAMENT: They were put out of business. And I think they were a subsidiary of Gatineau Power but it was then that the Hull City Transport, an all-bus service, was incorporated. From time to time discussions have taken place between the Hull City Transport and the Ottawa Electric Railway; and then the transportation commission, because the Ottawa transportation system, by whomever it was authorized, recognized that they should run into Hull; Hull recognized that too, but they also recognized that comparable rights should be given to the local system in Hull to run into Ottawa.

Mr. PETERS: Well, Mr. Chairman, would the Ottawa Transportation Commission, in your opinion, be willing to give us an assurance that they would work out a reciprocal agreement with Hull Transportation Company so that Hull would have free access to this terminal for their bus line, and in return for this the Ottawa section would have free access to the Hull railway terminal.

Mr. BEAMENT: I think, Mr. Peters, that is a question that I am unable to answer. I am not dodging at all, but I want to put the point to you. The Ottawa Transportation Commission, unlike the Hull City Transport Company, is a publicly-owned operation. Under the law, as it exists at the present time, they get no financial assistance from anything except the fare boxes. Out of that they have not only to service poorly-organized debt, but also a very large debt to the city of Ottawa, and they have to do everything in relation to replacing their buses as they become obsolete or obsolescent, and generally, they are financially entirely on their own. The Hull City Transport on the other hand is a privately owned enterprise; and I am not suggesting what they would be prepared to do, I just simply, of course, do not know. They are absolutely independent.

Mr. PETERS: We have an obligation, I would think, as members of parliament, to limit as much as possible the displacement that is going to take place because of this change. All I am suggesting is that if you or the Hull Electric could give us some assurance that a reciprocal agreement would be

available which would allow one of these services to provide transportation, this might be satisfactory. Otherwise, I believe this is the responsibility of the railway. They will disagree, and so the railway will say it is the responsibility of the National Capital Commission for having made this change. Someone has to assume this responsibility; and we as members of parliament should have some obligation to ensure that, without extra charge, the people travelling on the east-west line going to points on the adjacent line in Hull will be able to make that connection at the least possible cost to themselves, or at least to have a facility provided even if the cost is not a consideration, don't you think?

Mr. ROCK: Well, Mr. Chairman, I think we are concerned with the services that were established between the railway stations that existed in Hull and Union Station here, which now is going to more or less disappear; and I think we should possibly add a subclause (h) which will give this newly-created railway company the power at least to establish transportation between this station and the new Hull station for their passengers by means of bus or taxis. At least they should get this power or concession. This is up to them, but they should have the power at least to operate some system where they can bring passengers from the central station which will be operated by this newly-created railway company to the new terminal they are going to build in Hull.

Mr. RYAN: Mr. Chairman, while I think this power should be here, I think it probably is already subclause in 10(g) where it says:

establish and operate for hire in and about the city of Ottawa a service for the conveyance and transfer of goods and passengers by means of trucks, buses, cabs, or other highway vehicles—

The CHAIRMAN: This section has been amended.

Mr. ROCK: They are removing the words "buses" and "cabs".

Mr. BARNETT: Mr. Chairman, I find myself very much interested in the statement given by the representative of the Ottawa Transportation Commission. I am sorry I didn't catch his name. We got some very interesting background which reveals that probably we have here the only federally-chartered municipal transport system in Canada.

An hon. MEMBER: You mean a railway.

Another hon. MEMBER: It is a monopoly.

Mr. BARNETT: My personal recollection began to come in when he got to the bill of 1954 which had to do with interprovincial highway transport, but I would like to suggest, Mr. Chairman, that the amendment we have before us comes to the very nub of the question that was concerning at least a number of members of the committee when we began these discussions. This had to do with the implications of the removal of the existing Union Station from a central location to one nearer the periphery of the city. Now, to me, it is apparent that the original drafters of this bill—and I don't know who was responsible for it—had in mind that the terminal railway company should have the right to operate a complete system of services which would cover any changes that were caused by the proposed relocation of the station and the disbandment of certain formerly existing railway lines. I think this proposed amendment is a very important question.

Quite frankly, if we pass the amendment as it is proposed, it seems to me that the terminal railway company, and indirectly behind that the C.P.R. and the C.N.R., will be placed in a position where they are completely at the mercy of local transportation companies or facilities as to whether or not they can provide an adequate service to their passengers. I was satisfied



with the clause as it is assuming that the terminal railway company would not go into providing facilities that were satisfactorily being provided by some other body.

I am not familiar in detail with the plans of operation of the Ottawa Transportation Commission but I think we are all aware that there is a pattern, because of changing circumstances, of reduction of the level of public transportation facilities in many places in this country, and this same development could take place in Canada.

I feel quite strongly that, particularly if we have to agree to the proposed relocation of the station and the matter of providing facilities to the general region, at least we should protect the right of the terminal railway company to provide these facilities failing some satisfactory arrangement with other operators.

The business of the federal charter or federal jurisdiction over the local transport system was something of which, I have to admit, I was completely unaware until we heard the statement this morning. If this can create some statutory complication as far as parliament is concerned, well, certainly, that is something we should take care of; but personally I don't think we should simply agree to eliminate the proposed words which, in effect, would make it impossible, as I read it, for the new proposed terminal railway company to accept a responsibility which obviously was on the minds of whoever originally proposed this draft bill. If we could incorporate some phrase which would give them the right, failing the ability to make suitable arrangements with other transportation agencies or something of that kind, it would satisfy me but I certainly think that we have a responsibility to protect the right of the railways to provide necessary daily services to their passengers.

If I buy a railway ticket in Port Alberni, which is the nearest station to my home to Ottawa, I expect that I am going to be able to arrive at a suitable destination in Ottawa. I think that if we are going to set up the mechanics for the C.N. and the C.P. jointly to operate this facility, we should at least protect their rights to ensure, and we should insist that they do ensure, suitable conveyances for their passengers—not only for goods. After all, people have some importance even though the products of commerce are important as well.

Mr. MACDOUGALL: Are you suggesting, Mr. Barnett, that they should provide suitable services to transport passengers within the area of the National Capital Commission. I am sure that is not done anywhere in the world.

An hon. MEMBER: It can be done.

The CHAIRMAN: You are suggesting that only as far as Hull is concerned?

An hon. MEMBER: It can be done.

Mr. BARNETT: Well, let us take a hypothetical situation. Mr. Caron knows more about the Hull situation than I do, obviously.

The CHAIRMAN: No, but I would like to know what you are trying to point out. Surely, you are not suggesting that any railway is supposed to transport passengers to what is suitable for a particular passenger.

An hon. MEMBER: To anywhere in the city of Ottawa.

Mr. BARNETT: No, no. I don't want to be misunderstood on this, but let's suppose that it was desirable that a link by bus be provided between this proposed new terminal station and the terminal in Hull. I think that the terminal railway company should be able to establish a direct-route service of that kind. For example, if the present Union station is eliminated there should be the right to deposit passengers from a train at a point somewhere close to where the present railway station is.

The CHAIRMAN: Mr. Fisher.

Mr. FISHER: I have to leave and I was wondering if the committee would be agreeable to setting aside this particular subsection in section 19 because I want to have the opportunity of examining Mr. Macdougall in particular upon the evidence that was given to the Senate and also the evidence that I was given and I hope more of it will be given by Mr. Gazdik of the Canadian Trucking Association. I hate to do this but I have to go and I have been waiting all morning to—

The CHAIRMAN: On paragraph (g)?

Mr. FISHER: Yes. You see paragraph (g) relates to section 19 and there is a constitutional argument involved here that is quite long and complex and I think it will take a great deal of time. I think hon. members, if they review what took place before the Senate committee, will see this. All I am asking for in a sense is that this be put over to another meeting. Now, I assume that there will be enough in the present discussion and in the other sections to keep you going for the rest of the day.

Mr. REGAN: Do we sit this afternoon?

The CHAIRMAN: No.

Mr. ROCK: You have no objection to my proceeding.

Mr. REGAN: If we are going to sit this afternoon, or if we could sit this afternoon, it seems to me that we would be accommodating the trucking people who have had their representatives and their lawyer here from some distance three days in a row. If we were to sit this afternoon, perhaps Mr. Fisher could be here at that time.

Mr. FISHER: No, I can't.

The CHAIRMAN: It has been agreed that we don't sit this afternoon.

Mr. FISHER: I cannot be here this afternoon. In any case, I understand that this will be left over for the next meeting.

The CHAIRMAN: One moment, please. I was going to make the suggestion that we go ahead with the amendment which has been suggested, and leave out the question of trucks. We could pass the section subject to the trucking aspect.

Mr. CARON: So we all accept that we can discuss this section?

The CHAIRMAN: Discuss it.

(Translation)

Mr. BEAULÉ: I have a question to ask regarding subsection (g) in connection with a question asked by Mr. Peters concerning passengers coming from the West who have to go to the north shore of the Ottawa towards Montebello and Lachute. Is it the intention of the railway companies, the Canadian Pacific in particular, to discontinue the passenger service line Ottawa-Montreal via Lachute?

(Text)

Mr. MACDOUGALL: Mr. Chairman, there was a proposal this last September to discontinue some of the trains on that line but not to discontinue the whole passenger service. There were still to be trains operating. Now, there were protests over the proposed discontinuance of the trains that had been suggested and the board of transport commissioners directed us to continue those trains in operation until such time as it could hold a public hearing and decide whether the discontinuance of those particular trains should be permitted or not.

(Translation)

Mr. BEAULÉ: Mr. Chairman, I have not finished. Assuming that these lines will be discontinued, how would you carry passengers coming from the

West who get off at Ottawa, with regard to that portion in the province of Quebec. Let us assume a passenger wishes to go to Montebello or Lachute, will there be a passenger service in such a case, if we omit the words "buses" or "cabs"?

The CHAIRMAN: This is not part of the bill.

Mr. BEAULÉ: Mr. Chairman, that is part of the bill.

The CHAIRMAN: If there was no railway on the other shore, there would have been no relation to the bill. But there is actually one if you insist on establishing a connection.

Mr. BEAULÉ: If some passengers get off at Ottawa and wish to go to Montebello or to Lachute, how would the railway company carry those passengers to Lachute if the passenger-service on the north shore is discontinued?

The CHAIRMAN: They would have no service.

(Text)

Mr. ROCK: Mr. Chairman, I intend to make another—

The CHAIRMAN: One moment please, Mr. Rock. I want to let Mr. Beaulé finish and then Mr. Barnett hasn't finished his remarks.

Mr. MACDOUGALL: Well, the only answer I can give is that the passenger service is not being discontinued. That is not the proposal. The proposal was only to take off some trains that were not being adequately patronized but there will still be passenger trains running on the north shore if the board grants us the proposal that we have made. It is not to take off the whole passenger service but only to take off those trains that have not been adequately patronized.

(Translation)

Mr. BEAULÉ: Now, will the time table be arranged so as not to allow a long delay from the time the passengers get off in Ottawa to the time they take the train for Lachute?

(Text)

Mr. MACDOUGALL: Well, it is impossible for me to say what the time table arrangements will be in the future if the board grants our proposal. That is a matter that has to be discussed and worked out by our passenger and operating people at the time to give the most convenient service available. I cannot say now what the schedule may be at some time in the future, if the board grants our application.

(Translation)

Mr. CARON: Has not Mr. Crump stated that he intended to get rid of the passenger service?

(Text)

Mr. MACDOUGALL: I do not think Mr. Crump said that he intended to get rid of the passenger service. I think all that Mr. Crump said was that we were faced with decline in patronage in the passenger service and the time might come eventually when the passenger service would disappear.

(Translation)

Mr. CARON: If I remember well it seems to me he said he eventually wanted to get rid of the passenger service which was uneconomic. However, with regard to the service Ottawa-Montreal, via Montebello and Lachute of which the Board of Transport have accepted to discontinue the present service, will there be only one morning train to Montreal and one evening train back from Montreal.



(Text)

Mr. MACDOUGALL: I am not entirely clear as to what the train schedule was that was proposed—I can't say without having it before me exactly when those remaining trains were to operate but I don't know that I can go any further than that at the moment. Certainly, the trains that will remain will, we will attempt to operate at the times when the demand is greatest for them and when they will be attracting their greatest number of passengers.

(Translation)

Mr. CARON: Doesn't the Canadian Pacific act the same way with regard to the service to Maniwaki and that to Pontiac? It started by discontinuing one train and then cut them all?

Mr. BEAULÉ: That is the policy.

Mr. CARON: And then, they let us down.

Mr. BEAULÉ: Mr. Chairman, on a point of order. In this connection, we want to have the assurance that passengers residing on that line will continue to enjoy the service when they get off at Ottawa and wish to go to Lachute. If we accept the bill, we do not have the assurance and then, no purpose will be served in discussing this project. We want to have the assurance that those people will get, one way or another, the railway service if the project must end up there.

The CHAIRMAN: Mr. Beaulé, you know very well that, even if this bill is not passed, nothing would prevent discontinuing the passenger service Ottawa-Montreal or any other one in Canada. The bill under examination cannot establish a service.

Mr. BEAULÉ: We can establish a service and we have the authority to do it.

(Text)

The CHAIRMAN: Mr. Barnett.

Mr. BARNETT: Mr. Chairman, I think it should be clear that the point I was leading up to was that I feel the proposed amendment involves a rather important change in the concept of this bill as it was originally drafted. Now, quite frankly, I am not satisfied with the explanations we have had so far with respect to the bringing forward of this amendment. All I have heard so far from the witnesses that are before the committee was that there appeared to be some conflict in this bill with some existing statutory provisions that affect the Ottawa Transportation Commission. We have the statement from the counsel of the railways that they do not wish to become involved in any controversy with the transport commission, but certainly I would suggest that surely this provision was not thrown into this bill originally for no good reason at all.

Now, I do not know whether this is a matter which the counsel for the commission or the railway should deal with directly, but certainly I would want to be assured that there was something more than purely statutory grounds or something more than a desire on the part of the railways to avoid becoming involved in an unnecessary conflict with the local transportation commission before I could agree that this was a desirable amendment. It seems to me that, as it is drafted, it would give the Terminal Railway Company a right or a power which I think properly should belong to it to ensure that the terminal facilities in this area are properly planned. In other words, failing any other suitable arrangements by the terminal railways, in the interest of the passengers of the two railways that are participating, they should have a right to assure that such facilities are, in effect, provided either directly or indirectly.

Now, if we pass this amendment, in effect, we are placing the railway companies at the mercy of local transportation companies. I am not saying this in any way to be derogatory to the operation of the transportation commission but the transportation commission, I assume, is largely under the policy direction of the city of Ottawa. I may be wrong in that but it is in effect a municipal service and, supposing it decided to wind up, where would that leave the railway companies if we pass this amendment?

Now, this may be purely hypothetical but, in view of what some of us observed as to what is going on in various other parts of the country in connection with the facilities, and in view of the discontinuance of various passenger runs, we know that in other areas the railways have apparently had the right to enter into suitable arrangements for the transport of passengers. For example, if I want to travel from Port Alberni, the railway company can sell me a ticket which is good on the Vancouver island coach lines to their nearest point of the operation of the railway passenger train.

I want to be sure that this Terminal Railway Company has at least the right to ensure that the necessary linking facilities and the necessary facilities for the delivery of their passengers to a point of their reasonable conveniences are included in the powers granted under this bill.

The CHAIRMAN: When you are talking about reasonable conveniences, Mr. Barnett, you are talking about terminals—from one terminal to the other—from Hull to Ottawa, are you not?

Mr. BARNETT: Well, or alternatively in my view, if we are going to move the terminal station, as it is proposed, I feel the railway companies have some responsibilities to at least have the right to preserve the service to their passengers that they are presently providing. Now, this, I think, you will realize, Mr. Chairman, was one of the points that we discussed earlier and one of the points which we have not really decided yet and I think this amendment is very pertinent to this.

The CHAIRMAN: I was going to ask—

Mr. BARNETT: Whether we should have the Minister of Transport come before us—he introduced the bill in the House of Commons on behalf of the government—to tell us whether this amendment meets with their provisions or discuss with him whether we could resolve this statutory conflict in outline, I don't know, but I am not trying to put the counsel for the transportation commission or the railways on the spot in a way which may be beyond their knowledge or their authority; but failing some answers from them on this point, I think we perhaps should consider who can give us this answer, whether it is the National Capital Commission or perhaps the Minister.

The CHAIRMAN: I was going to ask Mr. Spence—following your question a while ago—how this section got into this bill. What was the purpose of including buses, et cetera?

Mr. K. D. M. SPENCE (*Counsel for Canadian Pacific Railway*): Well, I think, Mr. Chairman, that, as Mr. Macdougall said at the outset, this bill was drafted along the lines of other bills. For instance, the Toronto Terminal Railway Company Act of 1906 contains a provision that the company may establish and operate for hire a service for the conveyance and transfer of passengers and baggage by means of omnibuses, cabs or other road conveyances. Now, in actual fact, that clause in the Toronto Terminal Railway Company bill has never been put into use. I think that was just imported into the draft of this bill because it was in the old bill and the Toronto terminals bill was being followed as a precedent but—

Mr. PETERS: Do you not now police, in the Toronto terminal, the taxi services being provided?

Mr. SPENCE: Yes, oh, yes.

Mr. PETERS: You really are operating and using this section?

Mr. SPENCE: Well, we are not providing this service ourselves.

Mr. PETERS: No, but you are policing it?

Mr. SPENCE: I think that for a while we did grant a concession to one taxi company to the Toronto terminal's area. Then I think that that was cancelled and all taxis were allowed to come freely. Of course, all taxis can come and deliver passengers through the Toronto terminal to the Union station.

Mr. PETERS: Outside?

Mr. SPENCE: Outside taxis can come to the station to deliver passengers but, for picking up passengers, for a time we had a contract with one taxi company and then I think that was cancelled and it was left wide open.

Mr. PETERS: So really this section has operated?

Mr. SPENCE: No, it was not under that section, because that was only a matter of making a contract with other companies to perform the service.

Mr. PETERS: But you only had the right to make that because of this clause?

Mr. SPENCE: No, I don't think so. We, I think, the Toronto terminals had the right to make contracts to limit the access to the station of the taxi companies but this clause, as it stands—

Mr. PETERS: Well, on that point, is it not true that the licence of taxi companies would allow any one of them equal rights—the right to your terminal is your decision?

Mr. SPENCE: Yes.

Mr. PETERS: The licensing was done by the city of Toronto actually?

Mr. SPENCE: Oh, yes.

Mr. PETERS: So you really made the decision on who would come and who would not come. You say you let them all come. Well, it was under this clause, was it not?

Mr. SPENCE: No, my understanding of this clause is that it empowers the company to go into the business itself of carrying the passengers around the city. It is not just to empower it to make contracts with taxi companies on this basis.

May I point out that the Canadian Pacific Railway Company itself does not have the power under its charter to enter into a passenger business on the highway and, when we want to have our passengers carried on the highway, we make a contract with one of the local carriers and that works out very satisfactorily.

I think this subclause (g) as it was drafted would probably go beyond that power and give the terminal company the power to go into the passenger business on the streets of Ottawa itself and, when we realized that was really more than one of the parent companies had at any rate, we did not insist on it. We would be quite satisfied in the city of Ottawa and the city of Hull to leave that to the local transportation companies and if it is necessary to transport passengers from the terminal in Ottawa across to Hull, it is possible that we may be able to make a contract with one of the local carriers to do that.

Mr. PETERS: Under what clause?

Mr. SPENCE: That is just what Mr. Macdougall and I were looking for. Where is the clause in here that would empower us to make a contract of that kind?

Mr. Rock: This is what I was getting at, Mr. Chairman, that if we adopt the clause as amended, as suggested by Mr. Cantin, and then make another



subclause (h) and then we would remove the words "in and about the city of Ottawa" and replace that by "between their Ottawa terminal and the railway station or stations in the city of Hull", and that would give them the power—if they want to—to maintain some sort of a service to transfer passengers and everything else from the central terminus of Ottawa to any of the stations that are established or will be established in Hull.

Mr. BEAMENT: Mr. Chairman, might I add that, in view of this discussion, to my evidence as given up to this point?

Mr. ROCK: Mind you, they can hire, they can do what they want, but as long as they have the power to establish a service—

Mr. BEAMENT: As Mr. Barnett said, the railways sell transportation on bus lines but that is really interurban bus lines and we, of course, are not touching that at all. Of course, if the railways want to set up a ticket agency with the transportation commission, I don't think the transportation commission would have any objection, but this is not purely a constitutional problem.

An hon. MEMBER: This is interprovincial.

Mr. BEAMENT: I have to go into the constitutional aspects of the thing to show that the clause as it presently reads, gives to these railways the power to do local transportation—as Mr. Spence has pointed out—unrestrictedly, and to a much greater extent than the agency which has now been set up to do it. I think it is perhaps unrealistic to talk about the railway selling its assets and going out of business. If it did, the government of Canada would be very much embarrassed indeed because our biggest source of passenger traffic is carrying employees of the government of Canada to work and away from work and in and about their general business in the city.

The question of transfer between the two stations is a completely different matter. It does not involve the picking up and discharge of passengers within the limits of the city of Ottawa and for that reason I do not think the transportation commission could have any possible objection to this railway, as it has been suggested by someone to this terminal company having the power to enter into an arrangement for what I call a shuttle service between its station in Ottawa and its station in Hull.

Now, I would think—and now please, I am not committing the commission; I can't commit the commission—that the commission would be interested in quoting on such a service. They have so many buses and such a large organization that they would probably be in a position to meet it with a great deal more flexibility than a person, who was doing nothing but that, would be able to do it. That, of course, would involve the consent of the authority—municipal or provincial—in Quebec. We at the present time have a consent to run on a limited portion of the streets of Hull for the purpose of providing terminus facilities in the city of Hull. We have never sought to extend our rights, and I think we have perhaps taken the view that we would be in conflict with the Hull City Transport Company's legitimate rights if we tried to extend our services beyond the convenient terminus in the city of Hull.

Any terminus we may have in the city of Hull is obviously going to be more convenient to some people than it is to others. That is inherent in the problem, and the same problem arises with the Hull City Transport people. If they have a terminus in Ottawa, it is going to be more satisfactory and more convenient to some people than it is to others. But it would seem to me that if the local transportation companies cannot of their own free will provide the necessary facilities, there would be no objection to putting in a subclause (h), as has been suggested, empowering the terminal company to

make such arrangements for the transportation of passengers between its two terminals—the one in Hull and the one in Ottawa—as it cared to, and even operating it themselves. The thing that we are inveighing against is the statutory powers of the terminal railway to pick up and discharge passengers and run a competing domestic municipal transportation system in Ottawa.

The CHAIRMAN: Mr. Barnett.

Mr. BARNETT: I would like to pursue this point. I don't imagine any member of this committee would wish to see the railway company in a position to go into direct competition with the Ottawa Transportation Commission, but I think we are aware of the fact that under this general plan—as I understand it—the present Union Station is to be abandoned; the old stopping point in Ottawa West will disappear; and the question of an interlink with the city of Hull has been brought into the picture.

In the absence of the ability to work out a satisfactory arrangement with some other agency, such as the Transportation Commission I would like to see the terminal railway company have the right to operate what I would call "express buses". If they are going to move the station out, they should have the right to run express buses to such points as might be deemed suitable and advisable, whether it be to the old station or to the Ottawa West station, directly from the railway terminus as an extension, in effect, of the railway, at least in the manner in which they have been able to provide service for passengers before.

If we can work out something which meets that purpose and at the same time make it clear that this bill would not—as I agree it presently does—indicate that they could if they wish, compete directly with the Transportation Commission, that would be more satisfactory than the present amendment, which I think goes to the other extreme, if I may put it that way.

The CHAIRMAN: Mr. Pogue is here from the Canadian Pacific Railway. He is a special representative who is familiar with the passenger traffic and the whole problem, and I thought maybe we should have called him before as a witness to express his views on this problem.

Mr. GEORGE D. POGUE (*Special Assistant, Passenger Traffic Division, Canadian Pacific Railway*): Perhaps I might use the chart.

The CHAIRMAN: Oh, yes, of course.

Mr. POGUE: There appears to be some confusion about our passenger traffic to and from Hull after the terminal railway takes over. At the present time, Canadian Pacific crosses on two bridges. One is the Interprovincial Bridge and the other is the Prince of Wales Bridge in Ottawa West. The passenger trains use both bridges. The bridge at Ottawa West will not disappear. Therefore, the passenger coming in from the west going to Lachute will come in on our No. 8 train in the morning to the new station. Then the Lachute train will leave from the new station and go via the other route across this bridge to Lachute.

Mr. BEAULÉ: There is a train?

Mr. POGUE: Yes, there is a train. So there is a connection between Lachute station and the Ottawa station, and the trains going to Montreal on the Lachute subdivision will leave from the new station. So, as I see it, the only inconvenience to Hull residents of the change in location of their station is that they will have to take two buses if they are going to the new station, rather than one. But, as you know, one is nearly always carrying a suitcase or a club bag and is therefore more inclined to go by road which brings us in on the new MacDonald-Cartier Bridge right into the new station.

Mr. CARON: How much would it cost by taxi?

Mr. POGUE: I don't know. But I wanted to point out clearly that Lachute is receiving the same service as the Ottawa Union station is receiving now.

Mr. CARON: Up to now, but we have no assurance from the C.P.R. that it is going to continue.

Mr. POGUE: Well, that is something the Board of Transport would rule on.  
(Translation)

Mr. BEAULÉ: Could I ask the witness if he can give us the assurance that, in five years, we shall still have the same service between Ottawa and Lachute? That is what we want to know.

(Text)

The CHAIRMAN: Mr. Beaulé wants to know if you can guarantee five years' service to Montreal and if the North Shore will be continued.

Mr. BEAULÉ: We don't speak for today; we are speaking for the future.

Mr. POGUE: I would suggest that the Board of Transport Commissioners protect—

Mr. ROCK: Too bad, Mr. Chairman, that we didn't have this gentleman with us earlier. We would have saved a lot of time.

Mr. TARDIF: If this clause is not going to be passed today, I would suggest that we adjourn.

The CHAIRMAN: No, we are getting to the point now.

Mr. TARDIF: Maybe you won't adjourn, Mr. Chairman, but I'll adjourn.

Some hon. MEMBERS: There is no quorum.

The CHAIRMAN: Order.

Mr. TARDIF: We wasted all morning talking about things that were not relevant to the bill that is in front of the committee.

The CHAIRMAN: I would not say that at all. That is a reflection on other members of the committee.

An hon. MEMBER: What is the quorum, Mr. Chairman?

The CHAIRMAN: Twelve. We have a quorum.

I think it is agreed, gentlemen, that the amendment is satisfactory because it takes the railways away from the business of transporting people by bus or otherwise within the limits of the city of Ottawa.

Mr. CARON: We promised we would not vote for that though. We promised we would not vote for that today.

The CHAIRMAN: I am trying to get the discussion now to the next point. Is there going to be any suggestion made or any amendment suggested—

Mr. ROCK: Well, no. Actually, now we have an explanation given by the gentlemen, and I wish they had given the explanation about two hours ago so we would not have gone through all this turmoil.

Mr. BEAULÉ: Suppose they get rid of the trains.

Mr. ROCK: Well, that is something else. If they get rid of the trains, you are not going to have any service going to any station anyway, so this is something else.

Mr. BARNETT: Mr. Chairman, in spite of the fact that the proposed mover of the amendment thinks he has had everything explained, I must say that I have not. I still think that something along the lines of the amendment that he had in mind is desirable. As I said, I think the proposed amendment goes from one extreme to the other.

I feel very strongly that there should be some provision in this bill which will clearly enable the Terminal Railway Company, on behalf of the other railways, to ensure that suitable facilities are operative. Now if we take this reference to passengers, buses, et cetera, completely out of this section—and



I don't see where they have that power—in effect we're putting the railways' passengers completely at the mercy of such local facilities as may from time to time in the future be available.

The CHAIRMAN: Have you an amendment to suggest so that we may proceed?

Mr. BARNETT: Quite frankly, my view is that, in view of the question that was raised about the existing federal statute in connection with the transportation committee, I would like to see someone who has legal and drafting knowledge seek to bring about a modification of the proposed amendment which will meet the point that I have in mind. I don't feel that I myself—

Mr. ROCK: No, but what I suggested before—

Mr. BARNETT: —have the background or the knowledge to draft an amendment which would cover the points, except that I think something along the lines that have been proposed might—

Mr. ROCK: I have no objection. It doesn't do any harm to have it embodied in this bill. They don't have to act on it, if they have suitable service; but if they don't have suitable service, sometimes they could act on it. So there is nothing wrong with having it—

The CHAIRMAN: Mr. Millar.

Mr. MILLAR: My question would be to the representative of the proposed terminal railroad. What do they propose to do toward transporting the passengers from the new station to the downtown area of Ottawa? What provision is made to take care of those people?

Mr. MACDOUGALL: The normal provisions would apply here as applies in any city of Canada. The people would come in and the facilities would be there, either by public bus transportation or by taxi, or if they are close enough to their destination, they may walk, or they will be picked up by a private car, the same as they do in any station in Canada.

Mr. MILLAR: In other words, the terminal railroad is not accepting any responsibility for the transportation of their passengers from the new station to the downtown areas? Is that what you are saying?

Mr. MACDOUGALL: Well, we don't accept that responsibility anywhere in the country. We provide—

Mr. MILLAR: Except that in most cases your terminal is in the centre of the metropolitan area.

Mr. MACDOUGALL: As was explained, I think, at the last meeting, with the new station, and the changes that have taken place in the last few years with the movement of various government departments out from the—what you might call this present place of sitting as the centre of the city—to areas that are closer to the area of the new station, we feel that the sort of centre of gravity has been changing so that this new station will be fairly well in the centre of things for the passengers, as we know them, who are travelling on our railways coming to and from Ottawa. The highway facilities that will be afforded by the Queensway and other connecting highways will, from a time point-of-view, enable people to get, we think, more easily and more quickly, in many cases, to and from the new station.

Mr. RYAN: I am in sympathy with Mr. Barnett's argument. I think the power should be in the bill to permit the company to establish a shuttle service, not only to a Hull terminal but to any other terminals that are in the vicinity of the city of Ottawa. I would like to suggest this amendment for the committee's consideration between now and our next meeting. It is an amendment to add sub-clause (h) to clause 10 which would read:

(h) Establish and operate for hire in and about the city of Ottawa a service to and from the company's terminals and the vicinity of the

city of Ottawa for the conveyance and transfer of passengers by means of buses, cabs or other highway vehicles or other means of conveyance and to acquire, hold, guarantee, pledge and dispose of shares in any company, having for one of its objects the establishment or operation of such a service.

Mr. ROCK: You did not mention Hull at all in that.

Mr. RYAN: It could be Hull or it could be one of the neighbouring terminals in the vicinity of the city of Ottawa. I don't see why it should be limited to Hull alone.

Mr. ROCK: But you don't even mention Hull so when it is in Ottawa you are not even giving a shuttle service to Hull.

Mr. RYAN: I am not suggesting that it be given to anybody at all. I am just saying the power should be there.

The CHAIRMAN: Order. We have no quorum. I would ask Mr. Ryan to draft his amendment for the next meeting. It would be a good thing if he would distribute it to the members before next Tuesday so that we might be familiar with it. Also to let the clerk of the committee have a copy so that it may be distributed to the parties interested.

Mr. RYAN: I will, Mr. Chairman. I may change that from the vicinity of Ottawa to the national capital area.

*(Translation)*

Mr. BEAULÉ: Shall we have, before next Tuesday, the copies in French of the figures we were given this morning, to study them.

*(Text)*

The CHAIRMAN: It is agreed that the National Capital Commission will have the French version of the statement that they gave us this morning.

Thank you, gentlemen.

—The committee adjourned.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

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STANDING COMMITTEE  
ON  
**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

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TUESDAY, DECEMBER 8, 1964

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Respecting

**BILL S-33—An Act to incorporate the Ottawa Terminal  
Railway Company.**

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WITNESSES:

*From the Canadian National Railways:* Mr. James A. MacDonald, Vice-President, St. Lawrence Region. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Canadian Trucking Association:* Mr. Julian Gazdik, Counsel, and Mr. John A. D. Magee, Executive Secretary.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1964



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

and Messrs.

Armstrong	Godin	Mackasey
Balcer	Granger	Marcoux
Barnett	Greene	Matte
Basford	Grégoire	McBain
Beaulé	Guay	Millar
Béchar	Gundlock	Mitchell
Boulanger	Hahn	Muir ( <i>Lisgar</i> )
Cadieu	Horner ( <i>Acadia</i> )	Nugent
Cameron ( <i>Nanaimo-</i> <i>Cowichan-The Islands</i> )	Howe ( <i>Wellington-</i> <i>Huron</i> )	Olson
Cantelon	Irvine	Pascoe
Cantin	Kennedy	Peters
Caron	Korchinski	Pugh
Cooper	Lachance	Rapp
Cowan	Laniel	Regan
Crossman	Latulippe	Rhéaume
Crouse	Leblanc	Rock
Éthier	Lessard ( <i>Saint-Henri</i> )	Ryan
Fisher	Macdonald	Southam
Francis	MacEwan	Stenson
		Tardif
		Tucker—60

(Quorum 12)

D. E. Lévesque,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

TUESDAY, December 8, 1964.

(9)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11:05 a.m. The Chairman, Mr. J. T. Richard, presided.

*Members present:*—Messrs. Barnett, Beaulé, Béchard, Cantin, Caron, Cooper, Cowan, Fisher, Francis, Granger, Greene, Hahn, Howe (*Wellington-Huron*), Korchinski, Leblanc, Lessard (*Saint-Henri*), Macdonald, MacEwan, Mackasey, Matte, McBain, Millar, Mitchell, Peters, Regan, Richard, Rock, Ryan and Stenson (29).

*Witnesses:*—*From the Canadian National Railways:* Mr. James A. Macdonald, Vice-President, St. Lawrence Region. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Canadian Trucking Association:* Mr. Julian Gazdik, Counsel, and Mr. John A. D. Magee, Executive Secretary.

*In attendance:*—*From the National Capital Commission:* Lt. Gen. S. F. Clark, Chairman; Mr. D. L. Macdonald, Railway Commissioner. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Ottawa Transportation Commission:* Mr. A. W. Beament, Q.C. *From the Department of Transport:* Mr. Jacques Fortier, Legal Counsel.

The Committee resumed discussion of Bill S-33, An Act to incorporate The Ottawa Terminal Railway Company.

The Chairman asked that the railways be given an opportunity to describe the extent of the facilities and functions of the proposed terminal company as seen from the point of view of the railways, in order to clarify several points already raised.

It was agreed that Mr. Gazdik be permitted to quote from Bills 351 and Y-9, copies of extracts were distributed to the members.

At 1:00 o'clock p.m. the questioning of the witnesses continuing, the Chairman adjourned the Committee to 3:30 p.m. this day.

## AFTERNOON SITTING

(10)

The Committee reconvened at 4:10 o'clock p.m. Mr. Richard presiding.

*Members present:*—Messrs. Barnett, Cantin, Caron, Crossman, Fisher, Granger, Greene, Hahn, Irvine, Leblanc, Lessard (*Saint-Henri*), Macdonald, MacEwan, Matte, Millar, Peters, Regan, Richard, Rock, Ryan, Stenson and Tucker (22).

*Witnesses:*—*From the Canadian Truckers Association:* Mr. Julian Gazdik, Counsel and Mr. John A. D. Magee, Executive Secretary. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel.

*In attendance:* Same as at morning sitting.

At 5:40 o'clock p.m. the examination of the witnesses continuing, Mr. Caron moved the adjournment to Tuesday, December 15, 1964.

D. E. Levesque,  
*Clerk of the Committee.*

*Note*—The evidence adduced in both languages, at the morning sitting as well as that adduced in French at the afternoon sitting printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.



## EVIDENCE

TUESDAY, December 8, 1964.

(Text)

The CHAIRMAN: Order, gentlemen. I see a quorum.

During our last session it was suggested that much time could have been saved if an explanation of the operation of passenger trains into the proposed station had been given earlier. It is a fact that to date we have not been given a description of the extent and functions of the proposed terminal company as seen from the point of view of the railways.

It may be that such a description will clarify several points that have already been raised and help to resolve some of the remaining issues.

I have therefore asked the railway representatives, Mr. MacDonald and Mr. Pogue, and the counsel if they could make such a presentation. Canadian National Railway has a convenient photomontage which they feel will give perspective to the plan.

If the members are agreed, I propose to ask the railways to make such a description. This will not be a long procedure and will be a timesaver, I hope. After this we can proceed to review the bill.

In view of the fact that we have had counsel for the trucking association present at these meetings for some time, I propose we should look into the matter of the trucking operation right after this presentation. I would ask the members to allow the witnesses to finish their presentation so we may have a full outline of the plan before proceeding.

Mr. MacDonald is vice president of Canadian National Railways and I will ask him to make a statement.

Mr. J. A. MACDONALD (*Vice President, St. Lawrence Region, Canadian National Railways*): With your permission I will use the visual aid which you see here and which is one that was prepared for our own use. You will find it is labelled "Railway Relocation Plan", but the committee need not be reminded I am sure that it is a plan for redevelopment of the national capital to which the railways have been asked to conform under terms set out in the memorandum of agreement attached as a schedule to this bill.

The railways and the industries they serve are being removed from the central areas of Ottawa and concentrated in the southwest sector of the city, as General Clark explained earlier. In the process the main line mileage of the two railways is being reduced from about 62 miles to approximately 32 miles.

As a practical matter, these changes call for the formation of a joint terminal railway which will perform, on behalf of Canadian National Railways and the Canadian Pacific Railway, the switching service required by industry, and operate the new passenger station which is to replace the present Union station.

These are the sole activities presently contemplated for the proposed terminal company; that is, to do the switching from a common yard at Walkley and to operate the passenger station in the Hurdman area.

Canadian National Railways and Canadian Pacific Railway will continue to be competitive in all aspects of freight sales and solicitation, as to routing, for example; we will be separate, of course, entirely as to revenues derived from freight or passenger services. We will each operate independently our separately owned new freight and express facilities in the Hurdman area. We

will continue to be competitive in the passenger business; in fact, the ticket sellers in the new station will be employees of Canadian National Railways and Canadian Pacific Railway respectively, as indeed they are now.

This photomontage begins with an aerial photograph of the Ottawa area. Over that we have superimposed three transparencies on which we have pasted certain diagrams. The first indicates the railway lines as existing before any changes were made whatsoever in respect of the National Capital Commission plan. The red lines indicate Canadian National lines, and the blue indicate Canadian Pacific lines.

Mr. BEAULÉ: As they exist now?

Mr. MACDONALD: These lines existed originally and in some respects there have been abandonments, and I am coming to those now.

The next overlay shows what abandonments have been made or are contemplated as part of the scheme. For easy reference we have cross-hatched in red the line abandonments to be made by Canadian National Railways and in blue by a Canadian Pacific Railway. So you will see what part of the rail line systems survive under the new scheme and what part of the lines is to be abandoned.

Again, you will see the central feature of the removal of these lines from the crosstown and downtown area.

On the third overlay we have shown two things. First of all, we have shown in green the lines to be constructed by the National Capital Commission as part of this whole arrangement and, outlined in yellow, we have shown the limits of the terminal company as defined in the memorandum of agreement.

You will see that essentially the commission's construction has provided for the new yard at Walkley, the new Union station, and the Hurdman area, and not far from it the separate express freight facilities or merchandising terminals, as they are also called, and for the rest by and large the green lines represent linking up of existing rail lines by means of connections and the like.

You will see also that a green line runs up the length of the Prescott subdivision indicating that that line is to be tunnelled and/or depressed throughout part of its length.

May I say just a word about the limits—as shown in yellow—of the terminal? These are not railway lines but they define the area within which the terminal company itself will service industry, so that any industry located on trackage served from the lines outlined within the boundary will be jointly served by Canadian National Railways and the Canadian Pacific Railway, and the traffic can be solicited by either company.

You will notice that the yellow line about which I am talking does not cross the river because there are no changes on the Hull side that involve both railways. This is only another way of saying that Canadian National does not have any trackage or facilities on that side although we do operate a pickup and delivery service for express and freight across the river from Ottawa.

So far as Canadian National is concerned, there will be no change in the service or in our competitive position vis-à-vis industry on the Hull side.

On the map we might also point out the relocation of the downtown lines and the kind of facilities that took their place.

Essentially, our Bank street and Elgin street yards have been replaced by the Walkley yard, and in the same fashion Canadian Pacific's operating yard at Broad street and Ottawa West yard will in due course be replaced by Walkley yard. Again, the station is to be removed from its present location to Hurdman, and these two changes constitute the basic reasons for the formation of the terminal company.

You will notice on this map the simplification of the railway operations that is a by-product of this whole scheme. Canadian National now have a



through terminal with respect to passenger operations, something we have not had before. I will ask Mr. Huneault if he will trace the route of the passenger trains as they operated before and as they will operate when the scheme is fully in effect.

Mr. J. F. M. HUNEULT (*Assistant Vice President St. Lawrence Region, Canadian National Railways*): Canadian National trains now come in on the Alexandria subdivision and run into Union station, heading in. The trains then have to back out of the station so they can back into the Beachburg subdivision, heading west. In the reverse direction, trains coming from the west head into Alexandria subdivision and back into the station. They can pull out later on for Montreal along the Alexandria subdivision.

Under the proposed scheme, all trains would operate through. They will come in on the Alexandria subdivision, use new trackage supplied by the National Capital Commission, stop at the station and then carry on along to the Beachburg subdivision to the west.

Movement in the reverse direction would be through as well, coming west along to Beachburg through the station, carrying on to Alexandria subdivision.

Mr. J. MACDONALD: There is one other feature of the plan which can be shown on the map. It is the concentration of industry and areas specifically zoned for them; that is particularly so in the Belfast road area, in the Walkley road area and in the Sheffield road area.

Mr. Chairman, there are some other general observations I might make which could be helpful to the committee pertaining to the nature of the agreement. I am speaking only of the general principle.

The basic principle on which the three-party agreement was founded is that the railways were to be made whole wherever possible by replacement of facilities in kind. That principle found application in several ways, first where the new facilities were to continue in joint use, as for example the Walkley yard and the lines that connect it, and the new station. Secondly, they replaced in kind where new facilities were to be used exclusively by Canadian National Railways or Canadian Pacific Railway, and in that instance we have the merchandising terminals that I have already mentioned, and also a telecommunications building.

Thirdly, the railway facilities that are in use and are to continue in use were transferred to the terminal company or are to be transferred. Canadian National, for example, will put in the Beachburg subdivision—as Mr. Huneault will illustrate—and the Alexandria subdivision. Canadian Pacific will put in the Prescott subdivision and a portion of the Montreal and Ottawa subdivisions. As you are aware, Canadian National and Canadian Pacific will jointly own the terminal company which holds these assets.

Fourthly—and this is the only other major principle involved in this whole agreement—because Canadian National surrendered more property and facilities to the National Capital Commission and the terminal company than did Canadian Pacific, there is a further transaction required to make Canadian National whole. It takes the form of a cash payment from the National Capital Commission amounting in round figures to \$5½ million.

For all these foregoing purposes the values were determined in the case of land by appraised market value, and in the case of facilities as replacement cost minus depreciation.

The arrangements I have just described to you are the substance of the memorandum of agreement.

The bill aims at creating a terminal company with power to do these things. Of the bargain itself I can say, as the officer responsible for negotiations, that Canadian National has full value and we are satisfied in the circumstances that we have a good deal.



As a final comment I would like to stress that for the foreseeable future, and unless circumstances change very substantially, Canadian National intends to operate our pickup and delivery activities in express and freight in the same way as we do now; that is, each railway operating independently.

I think that is all I have to offer, sir.

The CHAIRMAN: Thank you, Mr. MacDonald.

Gentlemen, I thought it would be helpful to have this general explanation once again of the purpose and the main terms of the agreement in connection with the terminal bill.

As I said before, I would like to go ahead this morning with subclause (g) particularly as it relates to trucks since we have had a request from the trucking association, whose counsel, Mr. Julien Gazdik, is here. I thought it would be well to hear any submissions he has to make before we consider any approval of subclause (g) of clause 10.

Is it your wish that we should hear Mr. Gazdik?

(Translation)

Mr. CARON: I have a question to ask on what has just been said.

(Text)

The CHAIRMAN: Mr. Caron, we can come back to Mr. MacDonald on this general submission later, but I would like to go ahead this morning with the trucking association.

Mr. BEAULÉ: No, no; Mr. MacDonald has just made a statement and I think we should ask questions on it.

(Translation)

Mr. CARON: I only wanted to put one question. We see the National Capital Commission paying \$5,500,000 to the CN for the right to use the station. I wonder and I would ask Mr. MacDonald if it might not be possible in the same bill to extend that to the city of Hull, to build a station there and get them to make the same changes.

(Text)

Mr. ROCK: I think we should go ahead on the Chairman's suggestion.

The CHAIRMAN: Mr. Caron, that question is one of the questions that could be asked when we come into the whole discussion of the memorandum which was submitted on the financial aspects and the agreement which was entered into, which will be left for another sitting.

We have had this general explanation this morning; it is not meant as a settlement of the question at all, but just as opening remarks in order to give us a background for further discussion later.

Is it agreed that we should ask the trucking association to make their representations?

(Translation)

Mr. CARON: I have no objection in this matter, but I believe it's always easier to ask a question when the problem arises.

(Text)

Mr. ROCK: To add to your statement, I believe the people representing the trucking association have been here for practically every meeting. They have not said anything. The representatives of Canadian National and Canadian Pacific will be here all the way through our hearings, and I think it would be proper for us to ask the truckers to give their submission so they can go on their way. I think they have been very lenient with us, in a sense, because they have come here for every meeting hoping to give us their side of the story, and we have not given them a chance yet.

The representatives of the railways will be here all the time, so I think we should go ahead on the Chairman's suggestion.

Agreed.

The CHAIRMAN: We have with us today Mr. Gazdik and Mr. Magee. Mr. Gazdik is counsel to the association and Mr. Magee is executive secretary.

Mr. Gazdik.

Mr. J. GAZDIK (*Counsel to the Canadian Trucking Association*): I would like to thank you, Mr. Chairman, and through you your committee for giving us the opportunity to present the viewpoint of the Canadian Trucking Association.

As you know, the Canadian Trucking Association consists of 7,000 truckers and employs 100,000 employees. We feel we have a general interest in this matter for the reasons that I shall explain.

Our comments relate to clause 10(g) and clause 19. I realize at the moment you are dealing with clause 10(g) only, but if I may I would like to explain why it was felt this was the proper time to discuss the matter of trucking and transportation.

(Translation)

Mr. BEAULÉ: We don't have the interpretation here.

The CHAIRMAN: There is no translation there.

(Text)

Mr. GAZDIK: There are two introductory remarks I would like to make.

First of all, our comment here has no relation to Bill No. 120. There are other points that we will raise at the appropriate time when this comes up.

We are strictly limiting ourselves at the moment to clause 10(g) and clause 19 in this discussion, and all our comments relate only to this.

The second point is that you may have noticed that we have already made representations on much the same point before the Senate committee, and the record will indicate that we have made a few of the remarks that I am going to repeat here. Much of what I am saying is because the representations subsequently made by the railways, to which I did not have any opportunity to reply since we are acting as witnesses not as parties who are arguing, may have had an influence on the decision of the Senate, and I think they should be corrected. If for no other reason than for the record, I will make those corrections on this occasion.

The problem, as I have said, is clause 10(g).

As you appreciated on the last occasion, clause 10(g) gives the right to this new railway company to establish and operate for hire service and transfer, and conveyance of goods by means of truck. This is all that is left in it if the amendment is accepted.

Clause 19 will declare all the works and undertakings of the company for the general advantage of Canada.

The result is that all works, including the trucking operations which have been limited to pickup and delivery operations, will be taken away from the provincial authority and will be put under federal authority.

You may say that this is the right thing; you may feel this is the right way to do it; but I am wondering whether it is in line with existing parliamentary practice and practice heretofore exercised regarding railways. If it is enacted in this way, there will certainly be a change in the present or heretofore policy expressed in the parliamentary acts.

Mr. Chairman, before I go into the matter of why is it or is it not right to do this, I would like to say that the truckers have a great interest in this matter.

Up to now, under the present transportation policy—as far as one exists—interprovincial trucking has been under provincial authority, and even the railways when they operate pickup and delivery services, are under provincial

authority. That is the present situation. Canadian National Railways are under provincial authority.

In this connection, I think before the Senate, the railways represented rather broadly that trucking operations of the railways are federal matters. I think this is not borne out by the existing statutes, and I shall go on to discuss in detail what the statutes say. However, we believe that all trucking, all provincial, all independent and railway pickup and delivery service within the province is under provincial authority. This is an equality of treatment for all trucking operations.

If you were to enact Bill No. S-33 in its present form, you would change the status quo, and you would take away from provincial authority the supervision of the trucking services of this new railway company.

Mr. Chairman, we are not objecting to railways operating pickup and delivery services; far from it. We think they should operate, as they have done up to now, pickup and delivery services. We are not objecting to Canadian National Railways operating pickup and delivery services; we are not objecting to Canadian Pacific Railway operating pickup and delivery services; nor are we objecting to the new railway operating pickup and delivery services. The point is only a matter of jurisdiction and nothing more. Therefore, there is no problem such as you had in regard to taxes and buses on the last occasion of whether the railways will or will not operate these services. They should operate the pickup services, but they should operate them under the provincial jurisdiction, as they are operating today—as the Canadian Pacific Railway operate today, and as Canadian National Railways operate today. Why should this new railway be put in any different position from Canadian National Railways and Canadian Pacific Railway?

Mr. Chairman, our amendment would do this simply in clause 19, which reads at the moment as follows:

The works and undertakings of the company are hereby declared to be works for the general advantage of Canada.

What we would like to see is an addition to those words:

The works and undertakings of the company other than works and undertakings operating under the authority of section 10(g)—

May I just repeat it, adding the continuing words?

—other than works and undertakings operating under the authority of section 10(g), are hereby declared to be works for the general advantage of Canada.

If you decide to adopt this amendment, the effect will be that the trucking operations—pickup or delivery operations—of the new railway will remain, I submit, under provincial authority.

Mr. Chairman, I have no pride of authorship in respect of this amendment. When the Canadian National Railways Act in 1955 was discussed and enacted the same problem arose. When the Canadian National Railways Act came in, it contained some of the language you have today in clause 19 and Mr. Magee, who at that time was president, perhaps could help me to recall the events. But, it finally ended in a new text, which new text made an exception regarding trucking operations of the C.N.R. and left the trucking operations of the C.N.R. in the provincial field by inserting in clause 18, which generally declared works of the railway for the general advantage of Canada, an exception regarding clause 27 of the Canadian National Railways Act which dealt with pickup and delivery services and such other trucking operations that Canadian National had the authority to carry out.

Mr. Magee, would you help me to recall some of the events at this time?



Mr. JOHN MAGEE (*Executive Secretary, Canadian Trucking Associations*): Thank you, Mr. Chairman. To make it clear to members of the committee what happened in 1955 when the problem that we now find in this bill faced us I would like, with your permission, to distribute to members of the committee the clauses in the Canadian National Railways Act, Bill No. 351, which contained similar provisions, and to tell the committee what representations we made and what the government of the day and, indeed, the entire railways committee, including all parties, unanimously voted to do about this particular problem.

There is a precedence here and, as a matter of fact, there is another one which I will cite as well in the following year. But, first, I would like to deal with Bill No. 351.

The CHAIRMAN: Do the members of the committee wish to have copies distributed?

Mr. COWAN: Mr. Chairman, while the form is being distributed may I ask the witness how you would handle the freight destined for Hull—I am referring to the express part which is put off at the Ottawa station—were you to confine the trucking authority to the two provinces.

Mr. GAZDIK: There is no great difficulty there because you already have the Motor Vehicle Transport Act which will govern transportation between the two provinces, and it already leaves to the provincial authority under this act the general control of that trucking, so you have no problem in respect of interprovincial or intra provincial trucking.

Mr. COWAN: Well, that is all right with me.

Mr. GAZDIK: As I say, I do not think there is any problem there. There is a situation right now which has a certain equity of direction. All trucking is under the same regulatory authority, and all we are saying is that it should remain.

Mr. COWAN: Not all trucking; they are screaming about the labour code right now.

The CHAIRMAN: Would you proceed with your explanation, Mr. Magee.

Mr. MAGEE: On April 26, 1955, there was introduced in the House of Commons Bill No. 351, an act to amend the Canadian National Railways Act. The bill was a lengthy one; there were 47 clauses to it. Clauses 18 and 27 were the only ones of concern to the trucking industry. The remainder of the bill was addressed to the complicated problem of streamlining the corporate structure of the Canadian National Railways.

On the first reading of the bill on April 26, 1955, clause 18 read as follows:

18 (1) The railway or other transportation works of every company that is comprised in Canadian National Railways and is incorporated by or under the laws of Canada are hereby declared to be works for the general advantage of Canada. (2) The works of every company that it comprised in Canadian National Railways but is not incorporated by or under the laws of Canada are hereby declared to be works for the general advantage of Canada. (3) The companies incorporated by subsection (2) of section 7 of the Canadian National-Canadian Pacific Act are hereby continued and such companies are in respect of all their affairs subject to this act.

There was included as part of Bill No. 351 a schedule of companies, one of which was Canadian National Transportation Limited, which is a trucking subsidiary of Canadian National Railways. It was apparent, from a study of clause 18, that two things were going to happen if Bill No. 351 passed as

presented to the house, that Canadian National Transportation Limited and also Motor Vehicle Services operated directly by the Canadian National Railways and not through a subsidiary by coming under the declaration for the general advantage of Canada would be transferred from provincial to federal jurisdiction.

Under date of May 6, 1955, we addressed a submission to the minister of transport, Hon. George Marler. This submission stated in part, and I quote:

It would appear that if bill 351 is passed in its present form, compliance of trucking operations of Canadian National Railways or Canadian National Transportation Limited with provincial government control would merely be on a courtesy basis. It would have no legal meaning, would not be upheld if challenged in the courts. It would mean that a reversal of policy regarding compliance of Canadian National Railways trucks with provincial control could be effected by the railway at will.

We continued that submission by saying:

Such a condition would be diametrically opposed to the government's own policy of rejecting divided jurisdiction, following the privy council decision on extra-provincial highway transport last year. Declaring that it would not be in the public interest to have a divided jurisdiction, your predecessor, Hon. Lionel Chevrier, secured passage of the Motor Vehicle Transport Act so that 'the provinces will be able to control all motor transport using provincial highways'.

Then we concluded our submission to Mr. Marler by saying:

Canadian trucking association is confident that when you bring bill 351 before parliament for second reading it will include appropriate government amendments to sections 18 and 27 in order to maintain the Canadian National Railways' ability to operate its trucks in compliance with provincial control and regulations.

Now, Mr. Chairman and members of the committee, representations along the same lines were made in 1955 to the minister by the inter-city bus industry, through the Canadian Motor Coach Association.

The reply of the government of the day came on the morning of May 16, 1955, when the minister of transport, Mr. Marler, telephoned me and told me that a study of C.T.A.'s submissions of May 6 and May 12 had confirmed that there was an error in the Canadian National Railways' drafting of bill 351. The minister stated that it was the government's intention to correct this error by appropriate amendments when the bill was before the House of Commons committee on railways, canals and telegraph lines.

Now, the minister informed me that the Canadian Trucking Associations would have an opportunity to make representations to the committee, as we are doing now, in regard to Bill No. 351. He said that he was confident that amendment of the bill would be accepted by the government in a way that would correct the error which we had originally drawn to his attention under date of May 6, 1955. The minister told me that the form of amendment of the bill was being decided and he could not say yet what this would be; it could not be revealed until it was brought forward in the committee.

When the amendment was brought before the committee it was not an amendment which met our case by taking the right to run buses out of section 27 of the Canadian National Railways particular act. That was not the way the government went about it at all.

On May 23, 1955, the minister of transport introduced that bill for second reading in the house, and made his statement regarding the government's



intention to amend the bill in order to prevent the removal of the railways highway transport operations from the control and jurisdiction of the provinces. The minister proposed to remove certain companies, including Canadian National Transportation Limited, from the declaration in section 18 that the railway or other transportation works comprising the railway were for the general advantage of Canada.

On Thursday, June 2, 1955, the standing committee on railways, canals and telegraph lines met. In attendance were Mr. Marler, Mr. Fortier, counsel for that department, Mr. Driedger, at that time assistant deputy minister of justice, Mr. N. J. MacMillan, vice president and general counsel of the Canadian National Railways, and Mr. J. W. G. Macdougall, commission counsel, as well as a number of other people.

At the opening of the hearings, Mr. MacMillan was called and outlined the historical background and financial structure and general operations of Canadian National Railways and its predecessors. He also explained the purpose of the bill, and was questioned.

Then we reached clause 18 in the late afternoon of June 2, and you will find at page 244 of the transcript that the committee having reached clause 18, Mr. Langlois, the member for Gaspé, stated:

I have a suggestion to offer to the committee. In order to avoid duplication of the discussion and of the evidence which the committee might wish to hear, may I suggest that we deal with clauses 18 and 27, since these two clauses are closely related one to the other, leaving the intervening clauses to stand.

This procedure was agreed to by the committee. Then Mr. Langlois, seconded by Mr. Cavers, moved that clause 18 be amended by adding thereto the following subclause. This is not the amendment shown on your sheet but I would like to preserve the continuity of exactly what happened, so I will give you the first amendment which was moved and later withdrawn, and replaced by the amendment to clause 18, which you see on the sheet before you.

The original amendment was that a subclause (4) be added, reading:

For the purposes of this section, the expression 'works' and 'railway or other transportation works' do not include (a) any works operated under the authority of section 27, and

(b) the works of any company mentioned in part III of the first schedule.

Canadian National Transportation Limited was one of the companies listed in part III of the first schedule.

Section 27 was amended and that amendment stood. It is on the sheet that you now have in front of you. It reads as follows:

The national company and every other railway company comprised in national railways may, in conjunction with or substitution for the rail services under their management or control, buy, sell, lease or operate motor vehicles of all kinds for the carriage of traffic.

Then the committee met again the next day and resumed consideration of the bill. The chairman asked that the committee go back to clause 18, and Mr. Langlois, the member for Gaspé, stated:

Mr. Chairman, yesterday I moved an amendment to clause 18, and I am now seeking permission from the committee to withdraw it, and move the following amendment instead. I will read this new amendment.

Replace section 18 by the following: 18(1) the railway or other transportation works in Canada of the national company and of every company mentioned or referred to in part I or part II of the first sched-



ule and of every company formed by any consolidation or amalgamation of any two or more of such companies are hereby declared to be works for the general advantage of Canada.

I might point out again that removed Canadian National Transportation Limited from the declaration "for the general advantage of Canada" because it was listed in part III of the first schedule. So, as I say, that took Canadian National Transportation Limited out of the declaration for the general advantage of Canada and preserved the provincial jurisdiction over the operations of that company where the provincial jurisdiction would apply.

I will now continue:

(2) The companies incorporated by subsection (2) of section 7 of the Canadian National-Canadian Pacific Act are hereby continued and such companies are in respect of all their affairs subject to this act.

Then I will read subsection (3), which parallels the representations which Mr. Gazdik has made to you on behalf of the Canadian trucking associations on bill No. S-33.

(3) for the purposes of this section, the expression 'railway or other transportation works' does not include any works operated under the authority of section 27.

I would like to move from that very large example of the removal of the declaration from a company with coast to coast operations. May I say that that removal was a unanimous act of the committee.

Now, in respect of the second precedent, Mr. Chairman, I should like to have distributed a comparison of the provisions of bill No. Y-9, which was introduced in the Senate in 1956.

While the copies are being distributed may I say that to the best of our knowledge the two examples I am bringing before the committee now and of which I had personal experience, because I was with the Canadian Trucking Associations and involved in both of these matters, are the only examples that we know of where a railway company has come before parliament since the birth of the trucking industry and asked that the declaration "for the general advantage of Canada" be applied to the motor vehicle operations of their company. We can talk about the Toronto Railway Terminal bill of 1906 but, Mr. Chairman, in 1906 we had no Canadian trucking industry in this country.

Mr. FISHER: If I may interject, you introduced the Toronto Terminal Railway Company because that was an example given in the Senate hearings, was it not?

Mr. MAGEE: That is correct, and it also has been referred to in these hearings.

What I am dealing with, Mr. Chairman, is what parliament has done about the application of a declaration of this kind to operations on the road since the trucking industry came into existence. And, we contend that what parliament did in 1958 was the fair and equitable thing to do. Parliament put the railway trucks on exactly the same constitutional and jurisdictional basis as applies to the trucks of independent trucking firms.

Now, Mr. Chairman, in respect of Y-9, I am not going to read the whole phraseology of these clauses as they were introduced originally for that bill when it came before the Senate. Possibly this bill too was copied from the Toronto Railway Terminal bill of 1906. In any case, we arrived at the Senate to make a submission on the bill. We also had written to the minister of transport Mr. Marler, about it, and before we were called to make our submission it was announced that certain amendments would be made to bill Y-9. The amendment we are particularly concerned with in regard to Bill No. S-33 was this. Instead

of "the works and undertakings of the company are hereby declared to be for the general advantage of Canada", which would have included all the motor vehicle works in Bill No. Y-9, an amendment was adopted, which read, "the works and undertakings of the company other than those related to the transport of goods or passengers by motor vehicle are hereby declared to be for the general advantage of Canada." And, I recall that Senator Hugessen turned to me then and said that he assumed that deprived the committee of the pleasure of a submission from the Canadian trucking associations, and I said yes, it does, that we appreciate it and we have no further submission to make on the bill.

Those are the precedents, Mr. Chairman, and those are the reasons, frankly, that we are astonished that on a bill such as the Ottawa Terminal Railway Company bill we are here before the committee apparently still not very far advanced in having the government—and perhaps I am wrong about this; we will see—maintain its policy of fair and equitable treatment in regard to the constitutional treatment of the railway trucks as opposed to the trucks of independent trucking firms. And, I think it would be most unfortunate, Mr. Chairman, at this stage when the Department of Transport are reorganizing their staff and, for the first time, putting staff in the department which recognizes the existence of the trucking industry, as they are now doing, to have the trucking industry come to believe that all of a sudden we are going to have a change of policy and that there is going to be a different kind of jurisdictional treatment given to railway trucks from that given to the trucks of the independent trucking industry.

The CHAIRMAN: Will you continue, Mr. Gazdik.

Mr. BARNETT: Before Mr. Gazdik continues may I have an explanation as to what the Grand Falls Railway is? Is it a terminal railway?

Mr. MAGEE: As I understand it, it was a very small railway. I do not know whether or not it ever came into existence. However, what we were concerned about was the principle of this.

Mr. GRANGER: Mr. Chairman, for the enlightenment of members of the committee, this is a railway which hauls newsprint from Grand Falls to the port of Botwood.

Mr. MAGEE: I am sorry but I did not mean any insult to that railway.

Mr. PETERS: Mr. Chairman, why the designation of "Y" in respect of this bill?

Mr. FISHER: Come on, now.

Mr. PETERS: Was it a Senate bill?

The CHAIRMAN: Yes, it is a Senate letter.

Would you continue, Mr. Gazdik.

Mr. GAZDIK: Mr. Chairman, I would like to add a few words to what was said by Mr. Magee because I think this is a policy actually which heretofore has existed. I do not think this parliament or the parliaments before ever intended to use 92(10)(c) of the British North America Act unduly. I think this is one of the most delicate operations. This is one of the places where the federal parliament has tremendous power to take away, if it so wishes, certain powers from the provinces which the provinces have. However, this power heretofore has been used with great discretion; and I think this power should be used with the greatest discretion.

In the Senate we were reminded that parliament has tremendous powers. True enough; they have tremendous power, and we do not doubt that if you feel that the pickup and delivery service in and about the city of Ottawa is of sufficient national importance that it warrants the intrusion into the provincial powers, then I think you will make the declaration. However, if on the other hand you find that the matter does not have such significance, if you find



it is not of such importance that it should be taken away from the provincial jurisdiction, then again I think it would be very unwise on the part of the parliament to make a declaration, because it would then use the power without discrimination, and I think it would involve litigation, and may have all sorts of repercussions.

I will review some of the jurisprudence which has existed heretofore in respect of section 92 (10) (c) of the British North America Act. From that jurisprudence you will see there is a great deal of caution with which parliament should proceed. First I would like to refer to a comment by Sir John A. Macdonald in 1882—a very early date—which he made in parliament. He said:

The language cannot be clearer, and the object of this clause, the object of the imperial parliament in passing the act was to prevent absurdity and expense and obstruction to material progress by compelling every person introducing a great undertaking—offering to carry out a great undertaking in each other province for the general advantage—to go to the several provincial legislatures. They might get power in one, they might be refused it in another;—

It is not a question of whether they have the power. They have the power. It goes on:

—they might get restricted powers in one and large powers in another, they might be compelled to submit to conditions varying and inconsistent in their nature.

This is not the case here. This is not the case in this pickup and delivery service of the Ottawa Railway Company.

Now, I go on to a case known as Luscar Collieries Ltd. vs. N. S. McDonald in 1925. In this case the learned Justice Duff said the following:

—the purport of the declaration authorized appears to be that the work which is the subject of it either is an existing work, beneficial to the country as a whole, or is such a work as ought to be executed, or, at all events, is to be executed, in the interests of the country as a whole.

I do admit it has tremendous importance for Ottawa, but I wonder whether it has an importance as large as to use the discretionary power given under section 92 (10) (c).

I go on to another matter which is a reference in respect of the relative rights of the dominion and the provinces in relation to the proprietary interests in and the legislative control over waters with respect to navigation and water powers created or made available by or in connection with work for the improvement of navigation. Again, Justice Duff said:

The authority created by S92(10)(c) is of a most unusual nature. It is an authority given to the dominion parliament to clothe jurisdiction—in respect of subjects over which, in the absence of such action by parliament, exclusive control is, and would remain vested in the provinces. Parliament is empowered to withdraw from that control matters coming within such subjects, and to assume jurisdiction itself. It wields an authority which enables it, in effect, to rearrange the distribution of legislative powers effected directly by the act, and, in some views of the enactment, to bring about changes of the most radical import, in that distribution.

Mr. Chairman, again I cannot find the importance of the pickup and delivery service is such that it would warrant such redistribution of jurisdiction by parliament.



I have one more case; it is the Attorney General of Ontario vs. Canada Temperance Federation:

The true test must be found in the real subject matter of the legislation; if it is such that it goes beyond local or provincial concern or interests and must from its inherent nature be the concern of the dominion as a whole then it will fall within the competence of the dominion parliament.

I think there is another test. I think a declaration is justified only if these tests are made; if these tests are not made, then I think the declaration may be unwarranted.

Mr. Chairman, I now would like to come to another point. It is our submission that the new Ottawa Terminal Railway Company really does not need this power; it does not need to come under federal jurisdiction in respect of the pickup and delivery services. I would like to refer to what was said in the hearings before the Senate committee. I think Mr. Macdougall was replying to certain questions. This is on page 46 of the proceedings of the standing committee. Mr. Macdougall answered a question put to him by Senator McCutcheon.

Mr. Macdougall said:

I will answer that, senator, by saying that at the present time we do not actually perform any services in the Toronto terminal area under the powers of the Toronto Terminal Railway Act. We have a local trucker who does our pickup and delivery work in the Toronto area, and he complies with the local ordinances and laws.

I do not think it is really necessary for parliament to take this right away from the provinces for an eventuality which presently they are not even using.

Again I would like to refer also to another statement by Mr. Macdougall at the top of page 47. Here I think Mr. Macdougall is replying to a question with regard to what extent does the Canadian National Railways comply with provincial laws. You come to the famous principle that the Canadian National Railways by the grace of God in fact does comply with provincial requirements, although it really does not have to comply with them. Here Mr. Macdougall says:

The practice of the Canadian National Railways all across Canada is to comply with the local provincial jurisdictions.

If that is the practice of the Canadian National Railways and the Canadian Pacific Railway, then are we now seeking something new in respect of the Ottawa Terminal Railway Company? Is the Ottawa Terminal Railway Company going to be put in a different position, legally speaking? Is there any justification for doing so? This morning I think Mr. MacDonald made the statement, if I understood him correctly, that the Canadian Pacific Railway and the Canadian National Railways were going to continue their pickup and delivery services. If they are going to continue that, is it again warranted here to give this company the pickup and delivery service and except them from the provincial authority? I cannot see the justification for it. We see a lot of references to the company wanting to do something and wanting to comply with the provincial authority and yet, for some reason or other, they want to have this company be in a position where it comes regarding the pickup and delivery service under federal jurisdiction. We do not know the reason for it; perhaps they will tell the committee. They have not said it to the Senate committee.

Mr. Chairman, I would like again to come to a little correction which I am about to make because it is here on the record. It is at the bottom of page 45 in the proceedings of the standing committee, volume No. 2.

I think, Mr. Macdougall, I might be permitted to read this:

...we are not asking for any powers to operate trucking services in conjunction with or in substitution for rail services such as Mr. Gazdik

read to you in the Canadian National Railways Act. Those powers enable them to offer over the road railway services which may be 10, 50, or 100 miles, as long as those services are in substitution.

Under the powers of the Canadian National Railways Act, which he spoke of, we can substitute a highway service for rail service. Also with that power we can put on a highway service in conjunction with the rail service. That is not what we are asking for here either.

I am not quite sure what they are asking for. I take it that it is pick-up and delivery. If it is pick-up and delivery, my submission is that the Canadian National Railways Act, section 27, does include pick-up and delivery. But that is not my statement.

I will have to call your attention to the debate of the House of Commons, to be found in the official report for May 24, 1955, when Mr. Marler the then minister of transport said this, which is recorded at page 4075 as follows:

In order to particularize the type of transportation services to which the bill was intended to apply, I then went on to say:

This is designed primarily in order to regularize pick-up and delivery services in the metropolitan centres.

I submit this is pick-up delivery, and that the Canadian National Railways Act, section 27—and this is what Mr. Marler is talking about of course—does include pick-up and delivery service. Therefore, there must be some change of which I do not know, or of which we do not know. We think that section 27 may be broader than pick-up and delivery, but I am not going to go into that part of it. It certainly includes the authority for pick-up and delivery, and I submit that it is the actual authority for pick-up and delivery of the Canadian National Railways.

That being so, section 10(g), providing for the operation by trucks which is said to be pick-up and delivery, is the same. So, therefore, they are asking now for the same thing that they already have under section 27. The only thing they have not told you yet is why they want to have an exception made here, and why they want to have this operation in Ottawa come under federal authority.

As I said, in 1955 this policy was a very important one. This policy went a great deal further than the proposed act, because at page 4076 of the same *Hansard* that I referred to earlier, you will find at the bottom of that page, at the end of the statement of Mr. Marler, the following:

—it was never my intention that the declaration contained in the bill to the effect that the transportation works were works for general advantage of Canada should extend to cover the highway transportation activities of the Canadian National Railways, under the section of the bill by which it is proposed to give them power in this matter.

Because it was their intention, is it your intention now? I really doubt it, but I am not sure. In fact the amendment as you have heard from Mr. Magee affecting section 18, with the exception of paragraph 3 of section 18, is to put the railway company in a position, said Mr. Marler, of having corporate powers to carry out these activities, and would leave it in the position in which it is at present, of requiring it to conform to provincial legislation so far as carrying on of its operations is concerned.

This was the policy of the government in 1955, and it has not been changed, I submit, today.

Now, the suggested amendment, if I may come back to this, we have submitted to you is, as I said much earlier, not something for which we can claim



credit. Mr. Marler again, when this matter was heard in the committee in connection with Bill No. 351, on June 3, 1955, at page 245, said as follows:

When I first thought about the matter my inclination was to believe that we should have specific words referring to provincial jurisdiction appear somewhere or other in the text, but when I went into the matter, and when the subject was explained to me fully, I realized that if we were to put it in one clause then the implication would be that in other clauses of the bill, where other powers are being given which have in some cases to be exercised, subject to provincial jurisdiction, we would seem to be creating a distinction between the two classes of powers. The legal advisers of the Department of Justice have told me that the powers under clause 27 can best be made subject to the authority of the province by excepting the works being carried out under clause 27 from the declaration 'for the general advantage of Canada'.

We submit that what was true then is true now, and that the best way to preserve provincial authority over trucking operations, over pick-up and delivery trucking operations in or about the city of Ottawa, is by creating an exception in section 19 in the manner I suggested, or in some such words as you may deem best suited for the purpose.

Perhaps I might add that in as much as it is not a derogation, as was suggested by Mr. Macdougall in his statement to the Senate committee, that we are talking not of a derogation of powers that the Canadian National or Canadian Pacific now have, but what we are asking for is to put the new railway on the same footing as the Canadian Pacific and the Canadian National Railways, and not to create here an exception which might operate, I submit, unfavourably regarding other trucking operations.

This matter of a declaration has the curious result in that at the present time there is a certain extent of provincial control and municipal control over local trucking operations. But if you make this declaration, then the trucks will come under federal jurisdiction, and I submit having regard to the nature of interprovincial trucking, there is no regulatory organization or body which will control that trucking operation. This may be a curious result, but under the jurisprudence of the existing law, that is, the Motor Vehicle Transport Act, it applies only to interprovincial trucking, and interprovincial would be Ottawa-Hull, and it will be under the same act and will continue to remain under the same provincial-federal jurisdiction, and I refer to operations in or about the city of Ottawa.

I submit that we do not know exactly the limit. It certainly is possible that a large scale pickup and delivery operation will be carried out by this railway company without any control. I think that this is an unfortunate position, even for the other pickup and delivery trucking operators, if those concerned are under the same control, and the railways competing with them are without control. I leave it to you to draw your own conclusions regarding it.

Mr. MACDONALD (Rosedale): It seems to me that it really boils down to this: Why as a matter of policy should not pickup and delivery service *vis à vis* the new terminal not be included under federal jurisdiction like every other part of the new terminal? Mr. Magee said that it would be fair and equitable to put it under provincial jurisdiction. But I really do not understand what he means by that. Why would it be unfair or inequitable for the federal government to control the carriage of goods out of the station or into the station? Where would the inequity arise? Where would the unfairness arise?

In the authorities he mentioned, Mr. Gazdik made reference to the fact that it was desirable where there might be a diversity of jurisdiction in the operation, and that it might be under federal control. I submit that this is an excellent example of it right now. Surely, if it be concerned with pickup and



delivery in both Hull and Ottawa, it is under the jurisdiction of the two different provinces, so why do not those authorities apply in this particular case? It makes good sense to me that pickup and delivery operations should be under the control of the same people who are otherwise controlling the railway terminal. What is unfair or inequitable about that?

Mr. MAGEE: You ask what is unfair or inequitable about it? But if that occurs, parliament for the first time would give to railway trucking operations an entirely new and discriminative jurisdictional power which has not occurred in the case of other trucking operations in this country.

One trucking company in this country employs a great number of pickup and delivery trucks, I would say quite confidently, in the cities of Montreal and Toronto, yet parliament has never made any move to say that the pickup and delivery operation of these very large trucking organizations should be put under federal jurisdiction and removed from control. But that is what would happen. It would remove them from control.

Mr. MACDONALD (*Rosedale*): What kind of control? Are you saying that the Ontario highway transport board exercises a different control over the Canadian National Railways and Canadian Pacific Railway in their pickup delivery operations in Ottawa and Hull?

Mr. MAGEE: The Ontario highway transport board does not control trucking within the city, no; but we, as the Canadian trucking industry, are strongly opposed to parliament setting a precedent, lifting your provincial jurisdiction over certain trucking operations of the railways, and transferring them to federal jurisdiction. What would occur would be the start of a sliding away from the policy which the government decided upon in 1955, and again in 1956 in the only two instances when this question arose. Parliament said that railway trucking must be under the same jurisdictional and constitutional treatment as the trucks of the independent trucking industry.

Mr. MACDONALD (*Rosedale*): So the province does not actually exercise any control over the pick-up and delivery operation in Ottawa. Putting them under the same control would be an illusion, because there is no control.

Mr. MAGEE: There could be municipal or a provincial control.

Mr. MACDONALD (*Rosedale*): But in fact there is none at present.

Mr. MAGEE: There is now in the province of Ontario a very far reaching investigation being carried out into the whole application of the provincial regulatory laws pertaining to the board of transport. This is probably going to take about a year to complete. This will be a sort of royal commission investigation. We think that a very important question of principle is involved here and that this exception should not be made. Even if we could say to the committee that at this moment to take the trucks off the Ottawa Terminal Railway Company, which would normally come under the provincial jurisdiction, and transfer them to the federal jurisdiction will not, at this moment, harm any individual trucking company, we would still be strongly opposed to this precedent being set. As a matter of fact, not only is a precedent being set, but a reversal of the policy which parliament has followed in these matters and which we feel was eminently fair.

Mr. MACDONALD (*Rosedale*): I will revert to the same question. You have a situation where the regime that you are asking for is under one provincial jurisdiction in Hull, in which you would like to control the pick-up and delivery operation, and there is another provincial jurisdiction in Ontario which would do the same thing. What happens if there is a diversity in treatment; that is, the people in Hull will be put by the provincial government under different conditions regarding pick-up and delivery from the station? It seems to make eminent good sense that in so far as pick-up and delivery is concerned—

that is all we are talking about in this case—they should be under the same jurisdiction which controls other aspects of the railway operation.

Mr. MAGEE: This is a legal question which Mr. Gazdik can answer better than I.

Mr. GAZDIK: I think I understood the question. It is a very nice question although a difficult one. I will try to refer you to the fact that under the Motor Vehicle Transport Act of 1904, the Ottawa-Hull operation is already an inter-provincial operation and comes under the federal jurisdiction which is delegated to the provinces. That is to say, the Ottawa-Hull operation is done by the transportation board of the province of Quebec under, so to speak, a federal hat. We have seen a number of similar operations. They exercise a certain control, and they exercise this control in the same way as any other inter-provincial operation. What you are actually asking is why we should not put an inter-provincial operation on the same footing as a provincial one. That applies to the whole of Canada. Why has parliament not heretofore lifted away from the provinces the interprovincial authority and put it in the hands of the federal authorities? They have not done it. I do not think there is any justification for it. They have not done so advisedly.

Mr. MACDONALD (*Rosedale*): You are making a very appealing suggestion, and it is not a bad idea. However, throughout your presentation you argued on the basis of a national operation. I can see there would be difficulties in controlling a national operation, but it seems to be a narrowly confined operation. It seems to make good sense that one entity should in fact control all the pick-up and delivery operation. That is what you are speaking against.

Mr. GAZDIK: I am. We must realize one thing, that is that the Ottawa Terminal Company is not setting down a new railway in the Sahara desert. It is coming in where railways, pick-up services, and the entire operation, have operated for many years. I have not heard any complaint, and I do not think you have heard any complaint that things are badly set up. The railways are doing it right now. They have all those disadvantages, those provincial burdens, on them, and they have not complained. They have not said it is bad. They have been operating the pick-up and delivery service, and the other independent truckers are doing the same thing. It is operating very well. This is the status quo.

What you are suggesting is that we should make a change in the status quo. Is there any justification for it? I do not see any. You can make the change in the law. Earlier on I did say that parliament is omnipotent and can do a lot. It will do it if it feels it is justified in doing so. If the railways had come up here and had said, "We are harassed by the city of Ottawa; we cannot operate; we are harassed by the Ontario government", and if they said, "We are over-regulated because there are 16 regulatory bodies over and above us. Save us, take us out and put us under the federal control, or take us out from under the provincial jurisdiction", you would then have a case. However, nobody said that.

Mr. MACDONALD (*Rosedale*): I will put it to you this way: We are setting up a regime which we hope will last for many years in Ottawa. We are taking a fresh look at this particular situation. I say it is logical with respect to the pick-up and delivery aspect of this matter. It should all be under one control. That is all I am saying.

You made a further assertion with regard to the powers referred to under 10(g). You asked "Why ask for these corporate powers for the terminal company?" I would put this to you: I think it makes good sense, regardless of whether in fact the Toronto Terminal Company has ever exercised the power it has. It is good sense to give the terminal company the power to operate its own transport system for the benefit of both railways, and give them the



corporate power to do so, regardless of whether in fact it is exercised or not. If the clients you represent become extortionate in their rates, then the terminal company will have a lever to use against those rates. I am suggesting to you that it is appropriate that we give this power now, regardless of whether it is in fact exercised or not.

Mr. GAZDIK: I am in full agreement. I only said that it would be taking it out from the provincial jurisdiction. As far as clause 10(g) is concerned, I said at the very beginning, and I will repeat it so that there should be no question about it, we are not objecting to these powers. We are not objecting to giving this new railway company the pick-up and delivery service. We are not objecting to the Canadian National Railways and the Canadian Pacific Railways doing pick-up and delivery. The only question I have raised is that there is no justification for taking the operation of these vehicles out of the provincial control under which the Canadian National Railways and the Canadian Pacific Railways operate. The justification was that even in Toronto they are not using these powers so they do not need to take it from the federal authority. If they would need it, they would say we cannot operate with local truckers in Toronto; we have to have it under the very convenient system, perhaps, of the federal authority. They have not said it, so they are completely content with the provincial operation; they have said so.

Mr. MACDONALD (*Rosedale*): We are setting up an entirely fresh regime. You are dealing with two separate jurisdictions, and it seems logical to me to put them under federal jurisdiction.

Mr. GAZDIK: When you say put it under one regime or—

Mr. MACDONALD (*Rosedale*): Put it under the federal jurisdiction.

Mr. GAZDIK: If we search for the federal power in our complex system—and I do not have to tell you because you know it much better than I—there is no clear statement of what is exactly federal and what is provincial. Even some operations may in some cases be said to be provincial and some cases federal. Mr. Driedger in 1959 gave a very learned statement on this business of provincial and federal powers. Even if a federal authority would want to control a federal operation it could not do it; the railway commissioners do not have the power.

We have the case of Beauport and Quebec in which the Supreme Court of Canada said they had no power. Here is a typical case in which it is easy to say “take it away and then the federal control will apply”, but I submit respectfully that there may not be any federal control and the result, regarding interprovincial operation, is that you have done nothing because there you have the Motor Vehicles Transport Act to apply and, regarding intraprovincial transportation you have done something but what you have done actually leaves the field open and without control. That was my submission.

Mr. MACDONALD (*Rosedale*): Are you arguing that even without this declaration it would be to the advantage of Canada that the federal government could get no greater jurisdiction than in the past?

Mr. GAZDIK: No. I am much more careful about this than that because I think this is a very very complex field, and very delicate points are coming up all the time. I cannot quite say whether there should be any federal authority that would control this operation, legally. I merely say that there is not one right now in existence; whether the federal parliament would introduce one at a later stage is something which I cannot say.

Mr. ROCK: Mr. Gazdik, I think your presentation here is very good—in fact, you would make a very good politician!

In reference to certain statements you made earlier about Mr. Macdougall, you referred to a certain statement and then more or less cut him off directly by saying that this was about all he said. However, having looked through



the Senate report I think he presented a very good case, but you did not go into it thoroughly. You left the impression that Mr. Macdougall just made a certain statement and did not answer anything and did not present anything else. Then Mr. Magee is trying to convince us that we will be causing a precedent, yet I think according to the statements of Mr. Macdougall in the Senate committee one can see that he has proven his case very well, which is to the contrary of yours. I hope, Mr. Chairman, that Mr. Macdougall will be called here immediately after Mr. Magee and Mr. Gazdik to present his side of the story, with the representative of Canadian Pacific, so we will have a complete picture.

Mr. GAZDIK: I would like to say forthwith that I have the greatest respect for both Mr. Spence and Mr. Macdougall, and when I quoted certain parts of their statements I certainly did not intend to fall into the fault of misleading you into thinking that these were the only statements. If I fell into that fault I apologize to them and to you, because that was not my intention. I merely tried to take a short cut, and perhaps wrongly. I find their statements were extremely well done, and more than this—they were very successful.

Mr. ROCK: Mr. Chairman, I do not believe we receive these reports automatically.

The CHAIRMAN: Yes, we do.

Mr. RYAN: I would like to ask Mr. Gazdik if he is aware that under section 12 of the National Capital Act of 1958 the National Capital Commission is empowered to operate a railway throughout the national capital region, which surrounds both Ottawa and Hull for quite a few miles.

Are you aware of that, Mr. Gazdik?

Mr. GAZDIK: Yes.

Mr. RYAN: Do you not think the federal government here is probably trying to preserve the federal jurisdiction for the National Capital Commission in the event it does seek to take over railroading in this area?

Mr. GAZDIK: That may be the case, but I submit respectfully in answer to this question that if that is the purpose it can easily be achieved if and when this power will be conferred. There is no difficulty in including it in the trucking powers. I do not think there is a need for doing it through this piecemeal legislation. When the time comes it can be done very easily.

Mr. RYAN: Do you not think we would be creating a precedent the other way here which you could argue at some time in the future if we deducted the power from the Ottawa terminal railway?

Mr. GAZDIK: I do not know, Mr. Chairman. We are arguing on existing precedents right now. If we succeed in convincing you that those precedents were right, then I think those precedents are right and they are good, and if we then will argue later on that you were right on two previous occasions and a third occasion, and you should be right on the fourth occasion, that would be just the same argument. I do not think the fact that the city of Ottawa, if I may say so, will be made eventually an exception, and for the purpose of such an exception at a later stage for which you will need certain powers, will deter you from incorporating a railway company. Today you are only looking at the incorporation of a railway company, a company which by its own charter calls itself a railway. In looking at it as a railway company you have the precedents of parliament regarding railway companies.

Mr. RYAN: Do you not think we have to look at it here as a unique situation and a unique location and take into consideration the future of the national capital region?

Mr. GAZDIK: I think I have answered this. I do not know whether you should. I think you are looking at it in a unique way and we are looking at it

in a unique way, and we think the entire plan is a most commendable and wonderful effort, if I may say so on behalf of the association I am representing. But when it comes to trucking, we have not seen or heard—and I submit there are none at this stage—any references to any difficulty existing today that warrants the use of section 92(10)(c).

I come back to this. This is a very important matter and it always was, because if it is abused then I say there is no provincial jurisdiction.

The CHAIRMAN: Mr. Fisher.

Mr. FISHER: I would like to ask Mr. Magee a couple of questions.

I had anticipated, Mr. Magee, that part of your argument would have been concerned with the operations of Canadian National Railways and, to a degree, Canadian Pacific in long distance hauling through Smith transport and organizations such as this. I would assume the amendments made in the bill in the Senate which brought it down to "in and around Ottawa" took care of any anticipation you may have had about this becoming a base for long distance trucking operations.

Mr. MAGEE: Yes. Our original appearance in the Senate was prompted not only by the application of the declaration for the general advantage of Canada to the proposed motor vehicle operations of the Ottawa Terminal Railway Company, but also by our fear that the wording of clause 10(g) as it originally appeared in the bill would enable the Ottawa Terminal Railway Company to conduct trucking operations across the province of Ontario under federal jurisdiction, and since there is no federal regulatory apparatus for the control of motor trucks in Ottawa set up by the federal government it would have been an absolutely discriminatory jurisdictional treatment given to that particular trucking operation.

It was as a result of that submission that the words were added in clause 10(g) in the Senate restricting this to "in and about the city of Ottawa".

Mr. FISHER: Do you feel the amendment that was made in the Senate is strong enough to prevent this transportation terminal that is going to be constructed from being, say, the eastern Ontario depot of long distance truck hauling by both Canadian Pacific Railway and Canadian National Railways' subsidiaries?

Mr. MAGEE: I think so. I can say that we are not sure that the wording "in and about the city of Ottawa" will confine the trucking operations of pickup and delivery just to the urban limits in this area. How the wording will be applied is something that has to be seen yet, but we do certainly not foresee that this would become a terminal for long distance trucking operations of the two major railways.

Mr. FISHER: I would like to go a little further into this.

This is problematical, but it is my understanding that Canadian National Railways plan, for example in Toronto where much of their pickup and delivery trucking is done by for-hire truckers or organized companies such as Hendry's, to change this to rationalize the whole thing into a part of the railway operations, I understand through Canadian National Transportation Limited.

I would assume if this pattern that is going to be projected in Toronto develops and becomes a pattern right across the system, we may reach a stage when Canadian National Railways and maybe Canadian Pacific are planning a long term rationalization or integration of all their services so that in a sense it all operates within the one framework.

If this is the development, I do not see anything sinister in this terminal operation here, but it does seem to me that Canadian National Railways at least are being provided with a basis from which to work; and that could raise issues that are much more severe for the people you represent than you have put to us at the present time.



I wonder if you have any information or comments on that?

Mr. MAGEE: Mr. Chairman, we can only go on the basis of the wording of the bill and of the expressed intentions of the railways when they appeared before the Senate.

I would say that if there is a danger or a possibility of a development such as you contemplate, Mr. Fisher, it is all the more important that the jurisdictional treatment being given to the Ottawa Terminal Railway Company trucks should be the same jurisdictional treatment as parliament gives to trucks anywhere in this country.

Mr. FISHER: May I ask Mr. Gazdik, if he has not already elaborated on this when I was out of the room, to tell us the significance of the case that is before the Quebec courts. It is obviously very serious because when Mr. Gordon was before us with his annual report a few months ago he refused to make any comments on it because some of his previous comments had become part of the argument, I gather, before the courts.

If I understand this particular case correctly, if it should be decided against Canadian National Railways, in effect it would call in question almost all the trucking operations that Canadian National is engaged in except those that are directly, or on the face of it, developed as the substitution for rail services. Is that sort of a fair hypothesis or conclusion to come to?

Mr. GAZDIK: Well, Mr. Chairman, I find it rather difficult to answer this because the conclusions of this case took up about 1½ type written pages. There were many little details concerned with it. But, if I could answer your question in sweeping terms I do not think you are quite right. I think all we have been trying to do in this case which is before the Quebec Superior Court—and, incidentally, this case will be heard sometime next February—is to insist that the Canadian National Railways do only what is permitted in respect of them in section 27; in other words to restrict its operations to those which are in conjunction with or in substitution for railway services. Now, that is our conclusion there. There are certain circumstances in which the railways, I submit, have not been entirely within this framework of section 27, and we have referred to those in the action. We are not asking the railways to bend in any of their trucking operations but to operate within the law as parliament has provided them to operate.

Mr. FISHER: But I think it is only fair that we should keep in mind the fact that there is a legal argument to present as well as a policy argument by the Canadian trucking associations against the position of the Canadian National Railways in the long haul trucking business.

Mr. GAZDIK: Yes, that is certainly correct.

Mr. MAGEE: Mr. Chairman, may I comment on this?

The CHAIRMAN: Proceed, Mr. Magee.

Mr. MAGEE: In respect of Bill No. S-33 we are not concerned with the operation of pickup and delivery services by the railways nor are we opposing them, or have we ever opposed the pickup and delivery trucking type of operation by the railways anywhere in Canada. Our only opposition in regard to railway truck line operations has been on long haul inter-city runs in competition with the trucking industry, and it does not involve local pickup and delivery operations of the railways.

Mr. FISHER: I have one other question I would like to put to you in connection with your stand in this particular matter. Did you make representations to the minister of transport in connection with this bill when it was being drafted or when under consideration?

Mr. MAGEE: Do you mean Bill No. S-33?



Mr. FISHER: Yes.

Mr. MAGEE: Yes, we sent a letter to the minister of transport about this bill on August 18, 1955, following the passage of the bill by the Senate.

I might say quite frankly that based on the policy which parliament had followed in regard to Bill No. 351 in 1955 and this little Bill No. Y-9 in 1956, we did not anticipate any great difficulty in having withdrawn from Bill No. S-33 the declaration that these trucks were for the general advantage of Canada. In fact, in 1955 we put our whole submission to the government of the day on the basis there must be an error in the bill; and, we were told yes, there was an error in the bill, that the C.N.R. made the error and they are going to take it out. We were advised that the bill was going to be amended in the committee and, quite honestly, that is what we thought was the situation today. That is why, I may say, we never made a submission to the minister until the bill was passed by the Senate.

Mr. FISHER: Could you put on record what the minister's reply was to you.

Mr. MAGEE: I would like to put on record, in whatever way you may see fit, the letter that we sent to the minister and the reply which was sent by Mr. Baldwin, because, at that time, Mr. Pickersgill was ill.

The CHAIRMAN: If you wish, would you read it into the record?

Mr. PETERS: Could it not be attached as an appendix?

The CHAIRMAN: I think it would be more appropriate to read the letter than have it introduced as an exhibit at this time.

Mr. MAGEE: I will read the reply, Mr. Chairman. It is dated September 24, 1964. It is signed by Mr. Baldwin, the deputy minister of transport and is addressed to me. It reads as follows:

Dear Mr. Magee:

Mr. Pickersgill has asked me to reply to your letter of August 18, suggesting that further consideration be given towards revising clauses 10 and 19 in bill S-33, an act to incorporate the Ottawa Terminal Railway, with a view to ensuring that the company complies with provincial laws in the operation of motor vehicles.

Amendments along these lines were, as you know, proposed by your counsel, Mr. Julien Gazdik, to the Senate committee on June 18 and July 21, 1964. Testimony on these points was also given by representatives of the Canadian National and Canadian Pacific. The various amendments were considered by the committee, and the one dealing with the addition of the words "in and about the city of Ottawa" following the word "hire" in section 10(g) was approved. The Senate approved the bill as amended.

The points which you have raised are important ones. In view of the attention given by the Senate committee to the various aspects of these very questions, however, I believe we must accept that they have received adequate consideration, although this does not rule out further consideration and possible amendment when the bill is before parliament.

Yours very truly,

(Sgd) J. R. Baldwin.

Mr. FISHER: As an indication, having read the Senate reports, I can only interpret that to mean there was no public indication on the written record of the Senate committee that there was serious discussion on section 19. It would seem to me that when they got down to clause by clause treatment they, in a sense, just raced right through.

Mr. MAGEE: I may say that we had no opportunity at the Senate transport committee hearings of replying to the statements that were made by the

railways. I raise this point because of the reference that has been made to the argument of the railways. The railways stated their position after our submission, and the hearing was quickly adjourned by the passage of the final clause, and we never had a chance to answer any of these points.

Mr. FISHER: I wanted to bring this out partly because of Mr. Rock's interjection and because I am confused in two possible ways. I am having difficulty seeing in this bill what the ministerial responsibility for it may be. I assume from the letter the minister has a responsibility but, in effect, the argument in the Senate and before our committee really has been carried not by any minister but by the parties who have appeared before us, the N.C.C., the Canadian National Railways and the Canadian Pacific Railway. It seems the Canadian Trucking Associations has raised an issue here, and it seems to me that if we depend solely on an interpretation in this matter from the parties I have mentioned, the N.C.C., the Canadian National Railways and the Canadian Pacific Railway, we are missing the person and the organization that has the prime responsibility to indicate the merit or the demerits of the Canadian Trucking Associations, the minister and the Department of Transport.

I myself feel that I do not want to go ahead with this question of clause 19 without having the straight and considered opinion of the counsel of the Department of Transport because, it seems to me, that this bill, by its nature, is the responsibility of the Department of Transport. And, it is for that reason I think we should have both Mr. Baldwin and counsel for the Department of Transport here to give us their views on the particular issue that has been raised. So far as I am concerned it is not good enough to have a case made in this particular case by what seems to me to be people who have not governmental responsibility.

The CHAIRMAN: I quite agree that many more people should be called and at one time or another there should be an expression from those who are responsible for the bill. But, in view of fact that counsel for the Canadian Trucking Associations has been in attendance I would imagine the committee would like to hear the representations of counsel for the C.P.R. and the C.N.R., and also representations from the N.C.C. After that I am sure we should have a full discussion. I think we might as well go through this point, which is most interesting, because so much hinges on it.

Now, gentlemen, shall we adjourn? What time do you wish to reconvene? If the house is in the same mood as it was yesterday I think perhaps we could convene earlier. Perhaps we could reconvene at 3 o'clock or 3.30.

An hon. MEMBER: Three o'clock.

An hon. MEMBER: Three-thirty.

Mr. CARON: I suggest 3.30.

The CHAIRMAN: We will adjourn to 3.30 this afternoon.

## AFTERNOON SITTING

DECEMBER 8th, 1964.

The CHAIRMAN: Gentlemen, we now have a quorum. We have heard Mr. Gazdik and Mr. Magee from the Canadian Trucking Association, and I wonder if you want to proceed to question Mr. Gazdik further at this stage or if you would like to have the case made by the Canadian Pacific and Canadian National Railways before we go into the objections to the bill to find out what is the position of the railways on it.

Mr. CARON: May we proceed further with Mr. Gazdik so we will know what he is talking about and then we can discuss it.

The CHAIRMAN: All right, they are at your disposal.

Mr. Gazdik and Mr. Magee, will you come forward, please. Mr. Hahn.

Mr. HAHN: Mr. Chairman, I have a couple of questions I would like to ask the witnesses in connection with their objection to the bill as it stands.

As I understand the evidence we received this morning, the witnesses gave essentially four reasons for objecting to the bill as it stands. They said that we are changing the status quo; that the railways now do a pickup and delivery service under provincial regulations; and that by implementing this bill we are going to change that to come under federal jurisdiction. This was one reason cited.

They also cited the precedents of Bill No. 351 and Bill No. Y-9 of a previous parliament when a change of this type was not accepted. They raised the following questions. Why should the federal government intrude, under clause 92, in a provincial area? Is this matter of sufficient importance to do that? Is pickup and delivery under federal jurisdiction warranted? Is this an important enough item to go under federal jurisdiction?

These may be very valid legal arguments, but to me they do not get down to the heart of the problem. It would seem to me that the only real reason why the trucking industry would object would be because of some competitive disadvantage that they would suffer if the railways were to operate a pickup and delivery service under federal jurisdiction while they had to carry on a competitive business under provincial jurisdiction.

I would like to try to find out, if I can, what are the differences in the regulations that would give the railways an advantage. If they were under federal jurisdiction, what disadvantages are there in the provincial regulations that would work against the normal trucking industry?

Mr. J. GAZDIK (*Counsel, Canadian Trucking Association*): I will try to answer this question. First, may I clarify something which this morning I am afraid, I may not have made clear enough and which was brought out very properly, by Mr. MacDonald.

At the moment, our contention is that all trucking, or pickup delivery if you wish, whether it is operated by any of the railways or by an independent trucker, is under one jurisdiction, and that is the provincial jurisdiction. This is not just by chance. This was done purposely. When the Motor Vehicle Transport Act was enacted dealing with interprovincial trucking it left administrative matters to the provinces and the provincial boards. Therefore, today, if any question of a licence comes up, a party who intends to do pickup or delivery has to turn to the provincial authority. However, the provincial authority may or may not exercise its authority; some authority is not yet exercised. For instance, in Ontario, there is the Ontario municipal act which leaves to any municipality the regulation of its own pickup and delivery and certain other matters "within the municipality and a three-mile area of land adjacent to it". There is an exception, however. If in this three mile radius there happens to be another municipality, then the other municipality also has the right to have its own licensing regulations; and if there is a pickup trucking operation between two municipalities, it is my submission that—and I think I am right in my understanding—that cannot be done by either of these municipality licensees. The party who wishes to operate between two municipalities has to turn to the Ontario highway transport board which administers the public commercial vehicle act, I believe, and which in itself, regulates these operations. Therefore, if you take the city of Ottawa only, there are in the city of Ottawa pickup services which are running only under authority of Ottawa municipal licences and probably it is fairly easy to obtain these. Consequently, I do not consider that it is really very much regulated. But once we arrive at this three mile radius, or once we arrive at an intercity operation, then we are right under the



authority of the Ontario highway transport board. This is the present situation. To that extent, the province of Ontario regulates interprovincial trucking, interprovincial pickup and delivery service.

When it comes to services between Ottawa and Hull, in my submission, this comes under the Motor Vehicle Transport Act. If it comes under the terms of this act, the operator will have to obtain authorization from one or the other or both provinces if both provinces require licences for the type of interprovincial operation referred to in the particular service. The result is that whoever operates trucking today has to go to one or another provincial authority for a certain licence to conduct this operation. And that applies, to some extent, to rates, charges, and to the quality of service. It is controlled.

Mr. HAHN: In terms of costs—this I imagine is what the truckers are concerned about—of operation, would an operator, operating under federal statute, be able to operate on a lower cost basis? Would he be able to avoid licensing fees which those under provincial regulations would have to pay, for instance?

Mr. GAZDIK: Mr. Chairman, I think this is a very difficult question to answer and I think you may find that there are shades of differences in the answer. My submission is that, theoretically, and in law, once you declare a trucking service within the federal jurisdiction, that trucking service does not have to comply, within law again, with any of the legal requirements of licensing or of buying a licence plate, if you wish, imposed upon trucking services by the provincial or municipal authorities. I think, it is the same as a railway engine which does not comply with any particular provincial regulation. I think there is no provincial regulation affecting it.

A truck is in the same position as a railway engine, I would think. Now that, of course, has one disadvantage, if the railways should take advantage of it. I admit that I do not know in this instance when they have taken advantage of that situation, in fact they have said many times that they "attorned"—this is the word that they have used—to provincial jurisdiction in many respects. And I say that we still buy licences, even though we do not have to, but we comply with the laws. That has been done several times. But, if that attornment changes at any time, if they decide to take advantage of it, then I think, in law, they would be in a position to operate these pickup and delivery services without complying with municipal and provincial laws. That is my submission.

Mr. HAHN: One final question; you mentioned licensing as one item which may have a cost implication for the trucker. Do provincial regulations regulate the rates that are charged by truckers? Do they regulate maximum loadings on vehicles, and other things that would affect the costs of the operation?

Mr. GAZDIK: I think, Mr. Chairman, I have to answer this in the affirmative although in general terms. Some provincial regulations—and I am talking now of the Province of Quebec, for instance—require the filing of rates and charges. They also require compliance with certain regulations regarding loading, safety and certain other matters. If anyone could operate outside of these regulations, our submission is that, competitively, he would have a tremendous advantage.

(Translation)

The CHAIRMAN: Mr. Caron.

Mr. CARON: Mr. Chairman, I believe that we, of the Province of Quebec, are a little touchier on the questions of the rights of the provinces than are the other provinces. We realize that in certain cases one should overlook such things and that it might be necessary under certain circumstances to forget about them. We want things to come about slowly. This may be the trouble

with Mr. Gazdik; he probably fears that if here, in Ottawa, we disregard the law, a provincial law, and especially clauses 91 and 92 about which we are so touchy, I believe that if we disregard the law, we will have gone beyond bounds and there will no longer be any limits. The Federal Government could go beyond the limits in every province and in all parts of Canada and I believe that this is a case where the carriers are perfectly in the right. Is that the main point?

Mr. GAZDIK: I think I can say yes to that question. I think that this is precisely what is worrying us terribly; up to now, a principle has been established, up to now a principle has been followed by the Ottawa government. If we start changing this principle for something as puny as the one we are discussing today, we fear that there will be no limits; this is what I maintain.

Mr. MATTE: What must a carrier do when he has to transport goods into another province? Must he have a permit from his province and a permit from the other province also, in order to carry the merchandise?

Mr. GAZDIK: I think that in reply to your question, I cannot answer for all the provinces, but I can give you an answer with respect of the provinces of Ontario and Quebec. A carrier should have the permits of both provinces, naturally; he must have the two permits. But this rule applies to all. But if an exception is made, if we accept this statement as such, we are making an exception and the result is simple. The result is that a certain portion of the trucking comes under the Federal Government and is free of any control. (Text)

May I add something, because I think this question raises the point Mr. MacDonald made this morning. I thought a great deal about it because I think he has an extremely valid point, when he says that we want to bring everything under one hat. Apparently we should agree and everyone should agree. I have looked up again this record from which we have already quoted and I find that the Department of Justice representative, Mr. Driedger, in connection with Bill No. 351, on June 3, 1955, made a statement. The statement really starts on page 297, but when you arrive at page 300—and I apologize for again taking certain excerpts but I do not want to bore you with the whole lot—there is an answer I think to his trouble. May I just read this answer? It refers to section 27, and section 27 in the Canadian National Act deals with highway transportation pickup and delivery service of the Canadian National. This is what he says:

Now when we come back to 27 and assume that some of those operations are under provincial jurisdiction and some under federal jurisdiction, we get this result, that in so far as the operations are subject to provincial jurisdiction they are subject to provincial law and in so far as they are subject to federal jurisdiction, they are subject to federal law and that federal law is the Motor Vehicle Transport Act, which has provided the same kind of licensing system under the same conditions as exist under provincial law. So that parliament has in fact, if you like, by the Motor Vehicle Transport Act subjected carriers under parliament's jurisdiction to provincial law.

That is the effect of it and if you combine the two, a provincial law plus a federal law you have in the result a provincial law applying to all the operations under clause 27.

If I take this statement and apply it to 10 (g) and 19, this is what I find: Clause 10 (g) without 19 would deal with the matter under one hat.

Everybody comes under the provincial jurisdiction. If I enact 19, I have taken out intra-provincial only, because I did not touch interprovincial, since interprovincial is already regulated under the Motor Vehicle Transport Act and therefore, the interprovincial remains at the provincial board. Ottawa-Hull

remains under the provincial board but Ottawa within itself, in a three-mile radius, Ottawa-Eastview, Ottawa and any of these places connecting within five or six miles, would be under federal authority, and therefore not provincial. No more one hat; a new jurisdiction, federal jurisdiction. And there I find that there is no control. There I find nobody who is interested in me. There I find that I am on my own. So, instead of doing and achieving what I think was hoped to be achieved by enacting 19 in the manner it is now, without the exception that we are recommending, we would destroy this one hat system and would create immediately two different jurisdictions, one provincial with its present regulatory authorities and another federal, which for the time being at least is not taken up and is not regulated. Hence, there would be an unbalanced situation and an inequality.

Mr. MACDONALD: Mr. Chairman, on this last point, I would put it to Mr. Gazdik that this does not follow in the least, and that the Motor Vehicle Transport Act is general legislation. This is particular legislation with regard to a particular regional area and therefore the particular would take precedence over the general, particularly in view of the fact that it is later in date and therefore the entire jurisdiction is lifted out from one of them to the extent that the Motor Vehicle Transport Act applies to interprovincial business, it is put under the terminal; to the extent that intra-provincial business, which has never been under federal jurisdiction, is covered, this also is put under the terminal.

(Translation)

Mr. CARON: Since when does the particular have precedence over the general?

Mr. MATTE: It is the general that comes first.

(Text)

Mr. MACDONALD: I am saying, that the intra-provincial, that is within the province of Ontario, which has never been under federal jurisdiction, is by the declaration for the general advantage of Canada thereby put under the federal jurisdiction of the terminal; in other words, there is no division of jurisdiction as you suggested. I would like to ask you one thing because I am not sure and I want to get it perfectly correct from you. Are you asserting now that the railways in their pickup and delivery business are subject to provincial licensing?

Mr. GAZDIK: Sir, I never knew it otherwise. I do not know, maybe it is otherwise, but if you look up the parliamentary records that I have quoted from this morning, and if you can believe Mr. Marler when he stated to parliament what the purpose of the act is, and if you can accept his word, and I am ready to accept it on what the purpose of the act is, then you can accept that he never had any intention to take that out from the provincial field, and I think you must come inevitably to the conclusion that it is provincial.

Mr. MACDONALD: I am not talking about the general trucking business, but—

Mr. GAZDIK: No, no, I mean the pickup.

Mr. MACDONALD: —strictly the pickup and delivery situation that we have here. You are saying that this is covered by the provincial jurisdiction now?

Mr. GAZDIK: I think so, sir, because I think that is what Mr. Marler said. I quoted in full and you will perhaps look it up yourself. Mr. Marler said:

It was never my intention—



I am reading now from page 4076 of *Hansard* of Tuesday, May 24, 1955.

—that the declaration contained in the bill to the effect that the transportation works were works for the general advantage of Canada should extend to cover the highway transportation activities.

Highway transportation activities are described by him again where he says that this is designed primarily only in order to regularize pickup and delivery. I think we are talking about the same thing. He in fact says Section 27 is pickup and delivery only plus certain other things, substitution, that is highway and he also says, This is provincial. He says it. Now I think that makes sense.

Mr. MACDONALD: So, you are saying that the provincial licensing authority with respect to the two railways applies specifically to the railways' pickup and delivery business.

Mr. GAZDIK: Yes, Mr. Chairman I would answer that. I am not saying both railways. I am familiar with the Canadian National and I discussed the Canadian National act. I wish that those who are representing the Canadian Pacific would explain just exactly what their position is. I cannot quite answer it, but I think that under the Railway Act they would still remain under the provincial jurisdiction. But I am not as certain about it. As far as the Canadian National Railway is concerned, I have no doubt at all, not on my authority but on that of Mr. Marler.

(Translation)

Mr. CARON: We said this morning that it could affect the transport rates of merchandise. Have you not already had to complain, despite the fact that the law comes under the provinces, that the rates were too low in certain fields of transportation? Let us say, for instance, with respect of beer and preserves.

(Text)

Mr. John A. P. MAGEE (*Executive Director, Canadian Trucking Association*): Perhaps I could answer that, Mr. Chairman. There have been some complaints about the undercutting of rates by truck lines owned by the railways. I cannot at the moment pinpoint them, but I certainly recall that there were those complaints. Beer was one, and canned goods.

Mr. CARON: I think the rates were much lower than the ones the trucking industry could charge for transferring those goods.

Mr. MAGEE: That was the contention of the trucking industry.

Mr. CARON: So, it was under provincial jurisdiction at that time and it was too low. How would it be, then, if it should come under federal jurisdiction without any taxes or licensing to pay to the province?

Mr. MAGEE: Well, it would be a very serious situation. The situation at the moment, of course, is that the railways "attorn", as they put it, to the provincial jurisdiction, even if they claim they are not subject to it. We are not interested in any arrangement whereby any system of transportation says: "As a courtesy, we will obey a law to which we are not legally subject." That is not the proper way to organize the transportation policy of Canada. We say that all motor vehicle operations for hire should be dealt with by parliament in the same way. That is all we are asking here. We have not asked that there be any interference whatever with the pickup and delivery operations of the two railway companies in this area. We have never suggested it before and we do not suggest it now.

Mr. BARNETT: Mr. Chairman, I would like to deal with the earlier argument in connection with the application of the Motor Vehicle Transport Act. I have not got it before me and I freely confess that I have not looked at it since it

went through parliament in 1954. I must say that I fail to follow that we had anything more than an assertion that the provisions of the Motor Vehicle Transport Act in respect of interprovincial traffic would override the provisions of declaring something to be to the general advantage of Canada. In other words, they would create two jurisdictions as this bill is drafted, one for traffic within the city of Ottawa and another for traffic travelling across the river to Hull. Now that assertion, if I heard it correctly, was made but, as far as I am aware, no indication was given or argument made with reference to the terms of the Motor Vehicle Transport Act that it was intended to override the kind of jurisdiction which has been given to the railway companies, in the Railway Act and other places to operate works and undertakings to the general advantage of Canada. Now, I do not think an unsupported argument that we would create two jurisdictions is really adequate to the situation.

Mr. MAGEE: Our point is that the intra-provincial pickup and delivery operations of the railway companies are the ones which will be transferred from provincial to federal jurisdiction which would not be the normal constitutional state in the rest of the trucking industry. I think the quickest way we can sum up our whole position to the committee is to again quote the statement made in the House of Commons on June 17, 1955, by Mr. Marler the minister of transport at the time which is our position on this particular matter. We happen to agree with the explanation he gave to the house and I would like to read this statement. It comes from page 4920 of *Hansard* of June 17, 1955. Before the minister spoke, Mr. Drew had been speaking and Mr. Marler said this:

Mr. MARLER: I think that is the fourth time the Leader of the Opposition has spoken of this bill as having an undisclosed purpose.

This is Bill 351:

All I can say is, and I say it for the fourth time following the example of the Leader of the Opposition, that there is no undisclosed purpose concerning clause 27 of the bill. I have said on four occasions—this will perhaps be the fifth—that the purpose of clause 27 is to enable the railway company itself, the parent company, and every railway company comprised in the national company, to exercise the power necessary to carry on delivery and pick-up services in the metropolitan centres, and to carry on bus or transport services in substitution for rail lines which are abandoned.

There is no undisclosed purpose. I think I have made that point abundantly clear on each occasion on which I have spoken in connection with this bill. It is not sufficient merely to say that Canadian National Railways may exercise these powers through its subsidiaries. I explained, I think on second reading, that particularly in the case of rail line abandonments it was the wish of the national company itself that it be in a position to operate bus and transport services where it is necessary to abandon rail lines, and to be in a position in proceedings before the board of transport commissioners to give in the name of the national company an undertaking to operate such services in lieu of rail lines being abandoned.

The second point is the concern which has been expressed by the Leader of the Opposition as to whether the Motor Vehicle Transport Act is going to be applicable to operations carried on by the national company or any other railway company forming part of the national company pursuant to clause 27 of the bill. It seems to me that the situation is perfectly clear. If the operations carried out are carried out wholly within the limits of a province, then it seems to me there is



no doubt that the operations would be a local work or undertaking which under section 92 of the British North America Act, clause 10, falls within the limit of the legislative power of the provinces.

There is of course the exception contained in paragraph (a) of clause 10 of the section which speaks of interprovincial works, and I shall come to that in a moment. Then there is also the exception contained in paragraph (c), where works which are local and which are declared to be for the general advantage of Canada would not fall within the jurisdiction of the provinces but would be under the jurisdiction of parliament. With respect to the exception in paragraph (c), I can only say that clause 18 of the bill makes it expressly and explicitly clear that any operations carried out under clause 27 would not be for the general advantage of Canada. It seems to me that it is abundantly clear that operations which are carried out wholly within a province therefore do not fall under paragraph (c), and if they are wholly within the limits of a province they must necessarily fall within provincial jurisdiction under section 92 of the British North America Act.

There remain the interprovincial operations which may be carried out by the C.N.R. under clause 27. I think it is perfectly clear that whether they be carried out by the C.N.R., by another railway company or by a company entirely outside the provisions of the bill, if they are interprovincial operations they will be subject to the provisions of the Motor Vehicle Transport Act.

Therefore the situation is this: Either the operation must be under provincial jurisdiction because it is carried out wholly within the province, or it must be interprovincial because it is carried out between points in two different provinces, in which case it would be subject to the jurisdiction which the provinces now have under the terms of the Motor Vehicle Transport Act. In these circumstances, Mr. Speaker, the purpose of referring the bill to the committee of the whole in order to delete clause 27—

This is what Mr. Drew wanted

—obviously fails. We have at all times said that we wished the operations under clause 27 to be subject to the rights of the provinces and subject to their jurisdiction. It seems to me that we are effecting that under clauses 18 and 27 of the bill, and that no conference could add further to the bill or make it clearer that the rights of the provinces are being safeguarded in every respect.

Mr. BARNETT: Well, Mr. Chairman, I listened as carefully as I could to the quotation from a speech made by Mr. Marler in a debate which, of course, as we are so often told, does not mean that his interpretation of what the law meant was necessarily the right one.

Mr. MAGEE: That is true, sir. He said that it was from a conference with the officials of the Department of Justice and Mr. McMillan, the vice-president and general counsel of the Canadian National Railways, and that it was the best summary of the situation.

Mr. BARNETT: However, the point I wanted to raise was that, in listening to the quotation, it did seem to me that Mr. Marler was dealing with a situation different from the one that we have before us in this bill. He was dealing with the question of the establishment by the Railways of substitute bus or truck services for railways and not with the matter of pickup and delivery services which are incidental to the operation of the railway at its terminals.

I am wondering whether I am not right in saying, that Mr. Marler was really dealing with a different order of consideration from the one we have



before us in the bill. The parent company, and every railway company comprised in the national company, was given the power necessary to carry on delivery and pick up services in metropolitan centres and to carry on bus services in substitution for rail lines which are abandoned. So, there were the two elements contained in clause 27: the purely pick up and delivery operations in the municipal area and the type of truck or bus operations which would be put on where rail lines outside of the city would be abandoned.

Mr. CHAIRMAN, I will not pursue the question any further, except to say that, having done some reading of statements made before the committee in the other place, I have the impression that the railways do not altogether agree with the interpretation that has been given of the existing law.

(Translation)

The CHAIRMAN: Mr. Fisher.

Mr. MATTE: Forgive me, please. The carrier of the Canadian National who is under contract to deliver goods and who works all day must have a delivery permit from the Transportation authority. The Canadian National who deliver goods on their own behalf should also be subject to the same law. Are they, in fact?

(Text)

The CHAIRMAN: Is that a fair question to ask this witness? Should you not ask that of the C.N.R. witness?

(Translation)

Mr. GAZDIK: I cannot say exactly what the Canadian National are doing. I know that if the Canadian National are under provincial jurisdiction, they should. Now whether they do so or not, I cannot say. If an ordinary carrier comes under provincial jurisdiction he must, normally, in the province of Quebec, obtain a permit. As I said before—in the city of Ottawa—if he operates within a radius of three miles, I don't believe so. However, if he does more than that, if he operates between the two municipalities—Ottawa and another—even in the Province of Ontario, I think he must obtain a permit. I believe the same law applies today to all carriers, including the Canadian National and the Canadian Pacific.

Mr. CARON: In crossing over to Hull, even with the Bill in its present form without my suggested amendments, would the Canadian National or the Canadian Pacific be obliged to have a provincial permit on the Hull side?

Mr. GAZDIK: I believe that such an operation without the amendment, that is the provincial operation, would come under the Motor Vehicle Transport Act and according to this law, they would have to obtain a permit from the Quebec Transportation Commission. Now, I am of the opinion that they must obtain a permit from the Ontario authority at the interprovincial level only. In either case they must obtain a permit from the provincial authorities.

Mr. CARON: It has been established that the Hull side has simply been forgotten. It has been totally overlooked in the Bill, inasmuch as they would be obliged to obtain a special permit on the Quebec side; this they would not be obliged to do if they lived on the Ontario side.

(Text)

Mr. FISHER: I would assume that Hull is considered in and about Ottawa.

Mr. CARON: I think, Hull is considered being, I would not dare say what I think, over here.

The CHAIRMAN: Mr. Fisher, any questions?

Mr. FISHER: Yes. I want to refer Mr. Gazdik to the statement made by Mr. Spence before the Senate committee, on page 49, where he said:

Now, as I said before, the two railways themselves have the power to provide pick-up and delivery services and these other services to their customers. That power is exercised under federal jurisdiction for the general advantage of Canada.

I am not going any further with what it is, but obviously Mr. Macdougall's contention was that with respect to the pickup and delivery, the trucking association has not any quarrel with the right of the railways to provide that service. Their contention is that this is provided for under the general powers to the general advantage of Canada and that they have this right now.

One point bothers me and I have not really got it clear in my mind. I assume you have a rebuttal or a counter-argument to this point made by Mr. Spence and I would like to have it.

Mr. GAZDIK: Mr. Chairman, I read this statement and I think that perhaps what we could say about it may be that it is right as far as it goes. But it does not go far enough and it does not clarify all the implications of the questions. Perhaps some of these operations can be considered federal; I think that all those which are interprovincial can be said to be federal, and in fact they are federal. I think Mr. Driedger has made a case, very properly. They are federal; however, under the act, the federal parliament delegated its power to the provinces.

Mr. FISHER: But, Mr. Macdougall and Mr. Spence did not get into that at all.

Mr. GAZDIK: I am afraid not, but that is the point I tried to clarify today. I think that the statement may be right as far as it goes, but it certainly does not go far enough.

Mr. FISHER: Yes. It seems to me, Mr. Chairman, what we have to do is to have Mr. Spence and Mr. Macdougall before us to answer some questions.

The CHAIRMAN: Have you any questions?

Mr. MACDONALD: Before the witness leaves, just one brief question. I think your position is that you have no objection at all to the new company being given complete corporate power to run a pickup and delivery business. I guess your real contention is that if it has this corporate power it should be under provincial—

Mr. GAZDIK: That is perfectly correct, sir.

The CHAIRMAN: Now, I am going to call on Mr. Macdougall and Mr. Spence. Mr. Macdougall is from the C.N.R. and Mr. Spence from the C.P.R. Well, gentlemen, we will start with Mr. Macdougall and after, of course, Mr. Spence who is with the C.P.R. and who wants to make his own statement to the committee.

Mr. MACDOUGALL: Gentlemen, I do not propose to make a detailed argument similar to that which was made before the Senate committee. I think that arguments stands on the record by itself, but I would like to deal with this main point which has been raised by Mr. Gazdik with respect to the pickup and delivery power. I think it is important that we make the distinction between pickup and delivery services and over the road highway services.

As I listened, to Mr. Gazdik, I thought that there might be some confusion as to the import of the legislation unless one keeps these two clearly in mind. In the first place, the bill before you—and that is the matter which you have to deal with—does not make any attempt to give the Ottawa Terminal Railway Company any powers that I would call over the road highway service powers. There is no suggestion that it wants powers to operate in that fashion. The only power that it asks for in 10 (g) is the power to operate pick and delivery services. Now, my proposition is that Canadian National Railways—Mr. Spence



will speak for the Canadian Pacific Railways—and Canadian Pacific also today both operate pickup and delivery services in all the major cities in Canada, and the operation of those services is performed under powers which both companies obtain as highway powers ancillary to their normal corporate railway powers under which they operate. This is reinforced by the provisions of the Railway Act. The definition section, section 2, subsection 9 of the act speaks specifically of express, which is one of the services performed by railways and it speaks there of collecting express and delivery tolls. Also subsection 32 refers to tolls and rates for freight. There again you see the references to delivery of goods, transporting, handling, caring for them, and so on.

So, the first point is that you must, I suggest, make a distinction between pickup and delivery highway services and over the road highway services. Put over the road services aside and think only of the pickup and delivery.

In the establishment of this company, our endeavour has been, in the drafting of this act—and I think it does accomplish this—to give this new company the power to do pickup and delivery service in and about the city of Ottawa, in the Ottawa area. I suggest to you that this power is no more and no less than the power presently used by both Canadian National and Canadian Pacific Railways to do pickup and delivery service in and about the city of Ottawa today. I think you have heard this evidence, and if you have not, it is a fact that the pickup and delivery services performed by the railways here in Ottawa today are done by Canadian National Railways for their own traffic and by Canadian Pacific Railways for their own traffic. Our intention is, when this terminal company is activated, that for the moment, at least, we will continue to pickup and deliver by Canadian National and Canadian Pacific Railways, the same as we are doing today. But, we considered it prudent and reasonable that, in the formation of this new company, looking ahead into the future, it should have the same powers as the Canadian National and the Canadian Pacific Railways, namely, to pickup and deliver traffic in the Ottawa area. The legislation, I submit to you, will do that; it will give this company the same power as the Canadian National and Canadian Pacific Railways have.

Now, my authority for the suggestion that Canadian National Railways performs its pickup and delivery powers under its general ancillary powers, and under the general powers of the Railway Act, has been confirmed in a number of instances. In the first place, this general proposition has been confirmed by the courts in a number of cases. The one which I referred the Senate to was an Alberta case, *Grand Trunk Railway vs—James* and it followed a number of English cases which made it clear that one of the ancillary powers of railway companies is to pick up and deliver, not generally, but their own traffic. They go out and seek traffic and they have the right, according to the interpretation placed upon their powers by the courts, to go to someone's home or his place of business with a dray or with a truck—they have been doing this for a hundred years or more—to pick up that traffic and bring it to the station, put it aboard the train, and take it to its destination. And, when the traffic, or it might be a passenger, arrives at its destination, to see that traffic is delivered to its final destination, which might be a warehouse or it might be a man's place of business.

So, my first point is that Canadian National does have this ancillary power and that it has exercised its pickup and delivery services in Canada under that power. It does not hold any licence from any provincial body to do pickup and delivery services; it has never applied to the Ontario board or the Quebec board or any other board to get a pickup and delivery licence; it does not hold any such licence, and it performs these services and has done so for many many years under this general power.



Actually, in Quebec, in 1941, the Quebec Public Service Commission requested both Canadian Pacific and Canadian National Railways to show cause why they should not be licensed to do pickup and delivery service. The case was heard before them at a public hearing, and this argument, based upon this James case and the other cases which give the ancillary powers, was put before the Public Service Commission and they issued their judgment or finding that they did not have the power to regulate pickup and delivery of the railway companies because these powers were inherent in their general railway powers. They were federally incorporated and, therefore, they did not come within provincial jurisdiction.

Therefore, my proposition is that Canadian National—and Mr. Spence will speak for Canadian Pacific—does perform these services today, in Ottawa and elsewhere, in accordance with that power. It is quite true, as Mr. Gazdik said, that the provinces do regulate pickup and delivery services but of the truckers, not of the railways. I imagine that there are pickup and delivery services that are performed in Ontario and in Quebec which are licensed by those boards but they do not license the railway pickup and delivery services simply because, as I say, this is regarded as an inherent part of federal railways operations. The railways have the right to pick up and deliver its own traffic.

Actually, you can imagine, gentlemen, if there was a hearing before a Quebec or Ontario board at which the railway company was required to apply for a licence, it would be most objectionable, I would suggest, that any trucker should come in and suggest that they should not be given that licence. If they were permitted to say that they would then be saying that—despite the fact that the railway goes out and obtains traffic, and despite the fact that it has obtained, against its competitor the truck, traffic to take on the railway—the board should deny the railway the right to go to the man's place of business and get the traffic and bring it in by its own vehicles or by its contractor and take it on the railway. The trucker would be saying: Do not let the railways gather in their own traffic, do not give them a franchise to do that; we have truck services, let us go and do the pickup and delivery. But the truth of the matter is that, in the competitive world we live in today, the railway operator does not want the trucker to go and pick up his traffic for him unless he decides, in a matter of economics and in the matter of the general operation in the area, a better operation can be made to serve the public by hiring the trucker as its agent to go and pick up the goods and bring it to the railway station.

So, to suggest that a trucker should have a right to complain that a railway has not got the right to go and pick up its own traffic and handle it itself, from and to a point where it gets it to the point where it actually delivers it, I submit is wrong. I submit that is the basis under which this power has always been considered to rest with railway companies. Now, that has nothing to do with over the road trucking, and I have not been talking about over the road trucking. When we come to that, an entirely different situation appears. The problems which arose at that time from section 27 of the Canadian National Act, about which Mr. Gazdik spoke, were due to the fact that the railways were getting into a position where they were coming before boards and asking for permission to abandon a railway line, and the board was saying: "Well, what is going to replace this; are you going to provide a highway service to replace it?" The railways had to say: "We have no power to do that; we cannot give any assurance that we will."

Again, there has occurred in the competitive field the problem of co-ordinating rail and truck in some areas. Here again, the railway company did not have the power to do this. If you look at section 27 carefully you will see that it is not an attempt to spell out every power of Canadian National's ability to operate a truck on a highway. It gives a specific power to obtain, lease or

pay in any other way, trucks and vehicles to perform services in conjunction with or in substitution for rail services. These were specifically to deal with the problems of the day that were occurring at that time.

The substitution of highway services for abandoned lines, where we were doing that, was to enable the railway company to put on a truck service that would take traffic perhaps 30, 40 or 50 miles into some railway station to give a service in conjunction with the railway service. I suggest to you that that is the sum and substance of what was being dealt with, and that is the purpose of section 27.

I think it was quite proper, following the discussions that took place, for the exceptions from the declaration of "the general advantage of Canada" to have been given because Canadian Pacific has no powers, as I understand the situation, to operate trucks over the road. Any trucking they do over the highways is done by subsidiaries who have such power. Canadian National, except for the limited power given by section 27 to perform a highway service over the road in conjunction with or in substitution for a railway service, does not have any general highway powers to put on highway services over the road; and it performs such services by means of subsidiary companies which have that power. So, you have this situation of the difference between over the road services and the pickup and delivery. Again, I say the company referred to by Mr. Gazdik, the Grand Falls Railway Company in Newfoundland, is a perfect example of the principle—and I think it is a correct principle—of having a company incorporated to take over the rail operations of the Anglo-Newfoundland Development Company in Newfoundland.

In the act, corporations were given specific highway powers which could enable them to perform highway services over the road anywhere in Newfoundland. So, quite naturally, when they were dealing with that bill they excepted those from the declaration of "the general advantage of Canada", because they were not talking of pickup and delivery services, they were talking about general over the road trucking in competition with the trucking industry.

In this connection we have taken the position, I think, in our company that we are not anxious to compete unfairly with the trucker. We are quite prepared, as Mr. Gazdik pointed out, to "attorn to the jurisdiction of the Quebec board or any of the other provincial boards, to accept the licensing laws, the loading laws, and all these various other things. So we do not attempt to put ourselves in a position of some advantage over the trucker. We are prepared to meet him on even ground, and we do meet him on even ground; but he is a hard competitor, and we respect that; and we compete with him in the same manner.

Our pickup and delivery services, in my view, are services which we perform and have performed from the dawn of the railway industry as ancillary to our railway power to pick up and deliver traffic.

We are not asking for an exception for this Ottawa Terminal Railway Company, nor are we asking for some different treatment. We are asking that it get exactly the same powers as Canadian National and Canadian Pacific—powers for pickup and delivery. Some suggestion was made that, by doing this, there is going to be duplication of control. I suggest to you that exactly the opposite will occur. If you do what Mr. Gazdik suggests, you will get duplication of control. If you act according to this bill as it is presently written you will not have that anomalous situation.

Let me just explain my point. Canadian National today comes under federal control for its pickup and delivery services. It is not performing pickup and delivery services under a provincial licence. The provincial boards have even refused to consider that they have power to issue licences for pickup and delivery. These services are performed under federal control.



What is the federal control? It is the control of parliament and the control of this committee. It is true there is no administrative board set up to control the pickup and delivery by Canadian National and Canadian Pacific, but the control that exists, I suggest, is the control of parliament. If the Ottawa Terminal Railway Company's bill is passed as it is drafted, the same control will be available with respect to any pickup and delivery operations which it may perform: namely, federal control and the control of parliament.

If you were to accept the proposition made by the truckers, you would have the pickup and delivery operations of the Ottawa Terminal Railway Company excepted from federal control, but you would give control to the provincial bodies—who disclaim that they have any right to exercise the enfranchisement of pickup and delivery services by a federally-incorporated company. If they were to take the power to give licences to the Ottawa Terminal Railway Company for pickup and delivery, you would have the railway powers generally under federal control and you would have this truck power under provincial control.

I leave it to Mr. Spence to tell you of the possibilities that exist in that type of a situation. The difficulties would be not so much for the railways as for the shipping public.

So I come back to my point that you presently have both major railways, Canadian National and Canadian Pacific, under federal control for their railway services and for the ancillary services they perform by pickup and delivery. We ask for exactly the same situation for the Ottawa Terminal Railway Company—federal control of its rail operations and of its pickup and delivery—so that the three would be exactly the same.

Mr. FISHER: What is federal control? It seems to me, Mr. Macdougall, that you may have federal jurisdiction: but what is federal control? It seems to me there must be an agency or a department that is responsible for pickup and delivery? What is it?

Mr. MACDOUGALL: What is control? That is a matter of semantics. That there is no agency like the provincial highway carrier board I am quite ready to admit; this is just the fact. The control would be the control of parliament, as an act of legislation dealing with this company. As far as Canadian National is concerned, I think we have a considerable amount of control of our operations, part of which would be with respect to the Ottawa Terminal Railway Company as a part-owner.

Mr. BARNETT: Does the board of transport commissioners enter into the picture in this connection in any way?

Mr. MACDOUGALL: Yes, they enter into the picture in a way. For instance, they are concerned with our express services for which we have pickup and delivery limits, but we operate in various municipalities. We also have freight pickup and delivery limits. Our tariffs, which include pickup and delivery where pickup and delivery is performed, are filed with the board of transport commissioners. This is shown in our tariffs and is revealed there. These are filed subject to all rights of the board of transport commissioners to suspend them or to deal with them in accordance with the law. Applications are made to the board of transport commissioners to extend the pickup and delivery limits in some cases. These have occurred. So, with respect to pickup and delivery, there is a connection with the board of transport commissioners. It is not a large matter; I do not know of many cases that have ever arisen, but, nevertheless, it is all covered in the rates, and the rates are filed.

Mr. CARON: You said a while ago that as a result of the new act, you would have no more and no less power in the city of Ottawa than you now have.

Mr. MACDOUGALL: Yes.



Mr. CARON: Then would you be ready to accept an amendment such as that which Mr. Gazdik suggested a while ago?

Mr. MACDOUGALL: No. because I do not think his amendment accomplishes that. I think his amendment, as I said a moment ago Mr. Caron, would create confusion because you would have some possibility that pickup and delivery operations of this company would be under a provincial board, if that board decided to take over that jurisdiction, but such has not been the case for Canadian National or Canadian Pacific to date.

Mr. CARON: Did they create confusion in 1955 when they passed section 27? They changed it, and everybody seemed to be satisfied at the time.

Mr. MACDOUGALL: I think if you would read the whole of the explanations of section 27, you would find they were not really thinking of pickup and delivery services there at that time. They are mentioned in *Hansard*, but if you read the whole story of section 27 and the whole of the Canadian National bill at that time, you will see that they were dealing with the problem, as I explained earlier, of the inability of the railway company to make any kind of guarantee that it would give a service in substitution for any rail services that were abandoned. This was one subject which prompted the inclusion of this power at that time.

Another discussion that was active at that time was on the matter of having highway services in conjunction with railway services, so that you could have traffic going partly by highway and partly by railway, with the railway companies performing the highway service, and they had no powers to do this. Section 27, in my judgment, was established to empower them to perform such services. If you will read it carefully you will see that is as far as it goes.

Mr. CARON: Have Canadian Pacific and Canadian National not bought some trucking companies in the past two years?

Mr. MACDOUGALL: Yes.

Mr. CARON: So you are in complete competition with the trucking industry in this matter?

Mr. MACDOUGALL: Mr. Caron, this is what I was saying earlier. There is a distinction between pickup and delivery and the over-the-road services. Those trucking companies do not do pick-up and delivery. They are over-the-road services companies.

Mr. CARON: But they do some pickup service.

Mr. MACDOUGALL: It may be that they might act, as any carrier could act, as an agent of both railway companies to do their pickup and delivery. If they were to decide that they would rather a contract carrier do it, than doing it themselves, it could be that we might contract with a subsidiary rather than with XYZ trucking company. But those trucking companies are basically over-the-road truckers.

Mr. CARON: And they are licensed by the provinces?

Mr. MACDOUGALL: Indeed, and they come under provincial jurisdiction. We have no quarrel with that at all.

Mr. CARON: And the pickup service you operate at the present time has never been controlled by the provinces since the railways existed?

Mr. MACDOUGALL: I know of no such cases since the railway existed.

The CHAIRMAN: Mr. Peters.

Mr. PETERS: Mr. Macdougall, is this the reason why a Canadian National and Canadian Pacific express truck can park or double park on main streets where other trucks cannot?

Mr. MACDOUGALL: I do not know of that situation.

Mr. PETERS: I can tell you that in a great number of towns, Canadian National and Canadian Pacific violently abuse the traffic regulations of municipalities. I have often wondered why no recourse was taken against them. This "general good of Canada" would really exempt them from any responsibility?

Mr. MACDOUGALL: No, I cannot agree with that Mr. Peters.

The CHAIRMAN: I do not think they are the only ones.

Mr. PETERS: Timmins is an excellent example. They always double park on the main street. There is an alley behind all the main business places, but they never drive down there. They always park on the main street and they double park. I know because we tried to lay charges against them. You cannot lay charges against them.

The CHAIRMAN: Mr. Fisher.

Mr. PETERS: I am curious if this is what Mr. Macdougall means by not being under federal licence. I do not know that the trucks carry a provincial licence plate.

Mr. MACDOUGALL: I was talking only of the franchise to carry goods between certain points.

Mr. PETERS: You said that they did not come under provincial regulations.

Mr. MACDOUGALL: I said they do not come under the regulations of the provincial motor carrier board which gives licences to operate on certain routes or in certain areas. I was not thinking about the licences on the trucks or the regulations dealing with weight or dealing with safety or things of that kind.

Mr. PETERS: How would they come under municipal regulations if not voluntarily? Trains do not stop at railway crossings because of the Railway Act. They always have the right of way.

Mr. MACDOUGALL: The trains?

Mr. PETERS: Yes, because of the Railway Act. Does this act give the carriers similar rights?

Mr. MACDOUGALL: No, I do not think so.

Mr. PETERS: Does it give them similar licence?

Mr. MACDOUGALL: No, I do not think so.

Mr. PETERS: Do you say that it does not?

Mr. MACDOUGALL: I am a little confused by this line of questioning.

Mr. PETERS: I am trying to get clear in my own mind, just what the regulations are that would change if you changed the licensing effect.

Mr. MACDOUGALL: Let me put it this way, Mr. Peters. I do not think we have anywhere ever taken the position that, because we are a federal railway we are not subject to traffic laws, that we do not have to stop at stop signs or obey the safety regulations and things of that kind. We have not even inquired whether or not the law would allow us to flout these rules of society. We have always obeyed them and we have not even looked to see whether or not legally we might go against them. Our policy is not to go against them. Our policy is to comply with all those things. This is natural and sensible.

Mr. PETERS: Is it your contention then the licensing you are talking about is only the licensing that would grant you a franchise for a specific type of pickup? This pickup is granted, in your opinion, by the Railway Act and this is the licensing you are talking about?

Mr. MACDOUGALL: If the ordinary trucker, Mr. Peters, wants to perform a pickup and delivery service in the City of Ottawa, subject to the exception in the act which Mr. Gazdik mentioned—namely, that you do not have to do it



if you are operating within three miles of the corporate limits—he would have to go to the Ontario board and seek a licence to do pickup and delivery. Our position is that we do not have to do that.

The CHAIRMAN: Mr. Fisher.

Mr. FISHER: I am trying to put your argument as simply as I see it, Mr. Macdougall.

In effect, clause 10(g) gives you the authority to operate a pickup and delivery service. But it must be reinforced by clause 19 in order to keep you clear of having to meet some kind of provincial requirements insofar as licensing is concerned.

Mr. MACDOUGALL: I do not think I put it that way, Mr. Fisher. It is not a question of keeping us clear of it, because in the first place, as I explained, the provincial authorities have declined to exercise any control over the pickup and delivery services performed by federal railway companies.

Mr. FISHER: If this is the case what is the advantage of keeping clause 19 as it is rather than accepting the amendment that has been proposed which will write in the fact that 10(g) is exempted from this “general advantage of Canada”?

Mr. MACDOUGALL: Well, I think the principal advantage is that if we are right—and I say we are right—that the federal railways operate their present pickup and delivery services under federal control and not under provincial control, we wish this company to be in no less a position than that.

We wish them to be in the same position as Canadian National Railways and the Canadian Pacific Railway. If, for instance, this amendment were passed leaving aside the question whether the provincial authorities would assume the jurisdiction or not, that would mean that the federal power had no jurisdiction.

I would suggest the next step would be that the trucking industry, who are the competitors, would be endeavouring to change the situation with respect to both Canadian National's and Canadian Pacific's inherent right to do pickup and delivery.

Mr. FISHER: So, in this case, the fact that the pickup and delivery service is declared to be to the general advantage of Canada would keep you from getting involved in that kind of a contest.

Mr. MACDOUGALL: I think so. Here are the facts of the situation as it is. It would not change the current situation. It would not make the situation any different. It would not increase it or decrease it. It would leave the situation as it is.

Mr. FISHER: In the Senate Committee Mr. Spence mentioned section 17 of the Canadian National Pacific Act. I am somewhat perturbed by this as this act is due to be wiped out, as I understand it, by the proposals that are before parliament. I want to ask Mr. Spence the reason why he brought this in at the present time.

Mr. SPENCE: Well, Mr. Fisher the purpose of my remark there was to indicate that parliament itself had contemplated at that time that the railways would engage in trucking operations as well as rail operations. It was not a completely foreign question to parliament.

Mr. FISHER: That, it seems to me, blurs the distinction that Mr. Macdougall has given us between over the road services and pickup and delivery services. I mean I can follow his argument much more clearly than I can yours.



Mr. SPENCE: Well, mine was primarily based really on Section 315 of the Railway Act, which I quoted at that time and I pointed to subsection 1(e), which provides that the company shall, according to its powers:

furnish such other service incidental to transportation as is customary or usual in connection with the business of a railway company, as may be ordered by the board.

Really, all the railways are talking about here, and all we maintain clause 10(g) speaks of is other service incidental to transportation, as is customary and usual in connection with the business of a railway company. All we want to do is to perform railway business.

Everyone knows that the railway train cannot be drawn up to the door of every shipper. We have to pick up the shipper's goods and take them to the terminal and ship them off by rail. At the other end we have to take them off the train and deliver them to the consignee's door. That is all primarily and basically railway service. That is all we are asking for here. We are merely asking for leave to perform our railway service. It will be the Terminal Railway Company itself. This is the sort of thing we do ourselves. The parent companies do it now. As Mr. Macdougall said, the Canadian Pacific has no power to operate trucks over the highways. The Canadian Pacific Railway Company itself, when it wants to go in for trucking operations on highways acquires a trucking company that is under provincial jurisdiction and has all the proper licences and power. But we do have a duty under the Railway Act to furnish service to our rail shippers by picking up their goods and delivering them at their door, and that service is incidental to transportation. That is all we are discussing here. That should obviously be under federal jurisdiction.

I do not mean that we want to be able to send trucks out without licence plates on them to deliver these goods. As they go out on the roads, even though they are under federal jurisdiction, they have to comply with local regulations and traffic laws. No one would ever question that. The thing that I am concerned about—I think a mountain has been made out of a molehill—is that small incidental railway operations would be put in a position which does not exist anywhere else in Canada.

Consider the extraordinary legal consequences and problems which would arise if this pickup and delivery service were put under provincial jurisdiction. For example, suppose a garage operator in Eastview wanted to order some parts from Windsor, Ontario. Presumably, we have a rate on file with the board of transport commissioners which includes charges for pickup in Windsor and delivery in Ottawa. Our truck in Windsor would take the automobile parts from the shipper's door to the freight shed. It would be loaded on our train, come to Ottawa and, under the proposal now advanced by the trucking association, the federal jurisdiction would cease at the Ottawa terminal, and that part from the terminal to the door of the garage operator in Eastview would be under provincial jurisdiction. Now, that being so, could the shipper or consignee challenge the rate that was being charged? That rate is on file with the board of transport commissioners for the whole distance from door to door. Or, on the other hand could the railway add another \$5 for delivery because it might say that we are not obliged to follow the rate which is filed with the board of transport commissioners for that part of the movement? Or, suppose it was being sent over to Hull. Could we have the Ontario board saying the rate for that delivery shall be \$5 and the Quebec board saying the rate for that delivery shall be \$2.50. There would be endless complications of that kind which should be completely unnecessary.

Now, also, this shipment would have been made under a bill of lading, and the bill of lading sets out the terms and conditions of liability under which the railway must operate, liability for loss and damage. Those terms and con-

ditions are approved by the board of transport commissioners and we must abide by those terms and conditions. They have to be applied to every shipment. But if the goods were lost or damaged between the Ottawa terminal and the consignee's door, could we say that those terms and conditions do not apply for that part of the movement because this is under provincial jurisdiction and we are going to apply other limitations of liability? I think it would create such an extraordinary series of legal questions with no advantage to anybody except perhaps the lawyers who would have to take the cases to the supreme court to get them straightened out.

(Translation)

Mr. CARON: Mr. Chairman, may we adjourn? I have important business to attend to and it is past five thirty.

(Text)

Mr. FISHER: I am still confused by the arguments that were put forward. I would like to have the Minister of Transport or his counsel offer us comments on the arguments put forward not so much by Mr. Macdougall and Mr. Spence because I can accept their logic you might say in historical terms. It ties in with what I know, but I am not so sure that I would be fair to the argument put forward by the Canadian Trucking Association which seems to be sort of less in terms of tradition and practice and more in terms of constitution or constitutionality. Therefore, I would like to hear from the minister's counsel as to the department's views on the argument and at that time, I think we might permit a comment by the Canadian Trucking Association and then put the matter to a vote to find out whether we approve. At the present time I am satisfied with the evidence which has been given us by counsel for the two railways.

The CHAIRMAN: Gentlemen, we will adjourn until Tuesday next and I will be in touch with the minister, as suggested. I think it is a very good idea.





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

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THURSDAY, FEBRUARY 18, 1965

FRIDAY, FEBRUARY 19, 1965

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Respecting

Bill S-7, An Act to amend the Canada Shipping Act.

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Including the Sixth Report to the House.

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WITNESSES:

The Honourable John Whitney Pickersgill, Minister of Transport; *from the Department of Transport:* Messrs. J. R. Baldwin, Deputy Minister, Alan Cumyn, Director, Marine Regulations Branch, R. R. MacGillivray, Assistant Counsel, Law Branch, and Capt. W. S. G. Morrison, Superintendent, Nautical Examinations, Marine Regulations Branch; Mr. Robert F. Cook, President, Canadian Brotherhood of Railway, Transport and General Workers, Local 425, Vancouver; Capt. E. W. Meadows, Assistant Secretary, The Canadian Merchant Service Guild; Mr. J. Rod. Lindsay, General Manager, Vancouver Tug Boat Co. Ltd., Mr. Harold L. Cliffe, Manager, Canadian Tugboat Co. Ltd.

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

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ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.  
and Messrs.

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Armstrong	Grégoire	Matte
Balcer	Guay	McBain
Barnett	Gundlock	McNulty
Basford	Hahn	Millar
Beaulé	Horner ( <i>Acadia</i> )	Mitchell
Berger	Howe ( <i>Wellington-</i>	Muir ( <i>Lisgar</i> )
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Cooper	Latulippe	Rhéaume
Cowan	Leblanc	Rideout ( <i>Mrs.</i> )
Crossman	Lessard ( <i>Saint-Henri</i> )	Rock
Crouse	Lloyd	Southam
Fisher	Macaluso	Stenson
Foy	MacEwan	Tucker
Godin	Mackasey	Winch—60
Granger		

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee.*  
(*Pro tem*)

## ORDERS OF REFERENCE

TUESDAY, November 10, 1964.

*Ordered*,—That the following Bills be referred to the Standing Committee on Railways, Canals and Telegraph Lines:

Bill S-33, An Act to incorporate the Ottawa Terminal Railway.

Bill S-7, An Act to amend the Canada Shipping Act.

Attest.

WEDNESDAY, December 9, 1964.

*Ordered*,—That the names of Messrs. Leduc and Cyr be substituted for those of Messrs. Laniel and Lessard (*Saint-Henri*) on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

WEDNESDAY, February 17, 1965.

*Ordered*,—That the names of Messrs. Foy, McNulty, Lloyd, Berger, Addison, Laniel, Lessard (*Saint-Henri*), Macaluso, Rideout (Mrs.) and Winch be substituted for those of Messrs. Béchard, Francis, Tardif, Caron, Ethier, Leduc, Cyr, Macdonald, Ryan and Peters on the Standing Committee on Railways, Canals and Telegraph Lines.



## REPORT TO THE HOUSE

WEDNESDAY, February 24, 1965.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### SIXTH REPORT

The Committee has considered Bill S-7, An Act to amend the Canada Shipping Act, and has agreed to report it with the following amendments:

#### 1. *New clauses*

Immediately after clause 1, after line 22, page 2 of the Bill, insert the following new clauses:

"2. Section 87 of the said Act is repealed and the following substituted therefor:

"87. (1) If a person uses the *National Flag of Canada* and assumes the *Canadian* national character on board a ship owned in whole or in part by any persons not qualified to own a Canadian ship, for the purpose of making the ship appear to be a Canadian ship, the ship is subject to forfeiture under this Act, unless the assumption has been made for the purpose of escaping capture by an enemy or by a foreign ship of war in the exercise of some belligerent right.

(2) In any proceeding for enforcing any such forfeiture the burden of proving a title to use the *National Flag of Canada* and assume the *Canadian* national character shall lie upon the person using and assuming the same."

3. Section 89 of the said Act is repealed and the following substituted therefor:

"89. If an unqualified person acquires as owner, otherwise than by such transmission as hereinbefore provided for, any interest either legal or beneficial, in a ship using the *National Flag of Canada* and assuming the *Canadian* national character, that interest is subject to forfeiture under this Act."

4. Subsections (1) and (2) of section 91 of the said Act are repealed and the following substituted therefor:

"91. (1) The *National Flag of Canada* is hereby declared to be the proper national colours for all Canadian ships and all ships and boats that would be registered in Canada if they were required to be registered at all, belonging to any British subject resident in Canada, except in the case of any ship or boat for the time being allowed to wear any other national colours in pursuance of a warrant from Her Majesty or under regulations which may be made by the Governor in Council.

(2) Where a ship or boat described in subsection (1) flies  
(a) any distinctive national colours other than the *National Flag of Canada*; or

(b) the colours or pendant usually carried by Her Majesty's ships or any colours or pendant resembling the colours or pendant of Her Majesty, without a warrant from Her Majesty or pursuant to regulations made by the Governor in Council, the master of that ship or boat, or the owner thereof if he is on board, is guilty of an offence and liable on summary conviction to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment."

2. *On clauses 2 to 37 inclusive:*

To be renumbered as clauses 5 to 40 inclusive, respectively.

3. *On clause 7 (renumbered as clause 10):*

Subsection (1b) of section 391 of the Act, lines 30 to 38 on page 5 of the Bill, is deleted and the following substituted therefor:

"(1b) Subject to sections 480 to 482, every Canadian steamship that is not a ship described in subsection (1) or (1a) shall have its hull, machinery and equipment inspected by a steamship inspector in accordance with the regulations before the ship is first put into service and at least once in each year thereafter or, if classification surveys are made, in such longer period, and subject to such conditions as may be prescribed by the regulations."

4. *On clause 16 (renumbered as clause 19):*

Paragraph (d) of section 402 of the Act, lines 29 to 43 on page 10 of the Bill, is deleted and the following substituted therefor:

"(d) if the ship is a cargo ship other than a nuclear ship and there has not been produced a certificate mentioned in paragraph (a)

- (i) a valid Cargo Ship Safety Construction Certificate and a valid Cargo Ship Safety Equipment Certificate, where the gross tonnage of the ship is five hundred tons or more, and
- (ii) a valid Cargo Ship Safety Radiotelegraphy Certificate, where the gross tonnage of the ship is sixteen hundred tons or more, or a valid Cargo Ship Safety Radiotelegraphy Certificate or a valid Cargo Ship Safety Radiotelegraphy Certificate where the gross tonnage of the Ship is less than sixteen hundred tons, and any valid Exemption Certificate that has been issued in respect of the ship."

5. *On clause 37 (renumbered as clause 40):*

Lines 36 to 44 on page 19 of the Bill are deleted and the following substituted therefor:

"40. (1) Section 1, sections 9 to 30 and section 39 of this Act shall come into force with respect to Canadian ships, and with respect to ships registered in any other country on a day or days to be fixed by proclamation of the Governor in Council.

(2) Section 6 and section 38 of this Act shall come into force on a day or days to be fixed by proclamation of the Governor in Council."

A copy of the Minutes of Proceedings and Evidence relating to the said Bill (Issue No. 10) is appended.

Respectfully submitted,

JEAN T. RICHARD,  
*Chairman.*

(Presented on February 24, 1965)





## MINUTES OF PROCEEDINGS

THURSDAY, February 18, 1965  
(21)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10.15 o'clock a.m. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Balcer, Barnett, Cameron (Nanaimo-Cowichan-The Islands), Cooper, Cowan, Crossman, Crouse, Foy, Greene, Hahn, Laniel, Leblanc, Lloyd, Macaluso, Marcoux, McNulty, Millar, Pascoe, Regan, Richard, Rock, Southam, Winch (24).

*In attendance:* The Honourable John Whitney Pickersgill, Minister of Transport; and *from the Department of Transport:* Messrs. J. R. Baldwin, Deputy Minister of Transport; Alan Cumyn, Director, Marine Regulations Branch; R. R. MacGillivray, Assistant Counsel, Law Branch; F. S. Slocombe, Chief, Nautical and Pilotage; J. H. W. Cavey, Chief, Harbours and Property Branch; G. G. M. Guthrie, Supervisor, Registry of Shipping; E. J. Jones, Steamship Inspection Service; A. G. E. Argue, Radio Regulations Division; C. D. Kenny, Radio Regulations Division.

In his opening remarks, the Chairman informed the Committee that authorization was needed to obtain copies of the Canada Shipping Act.

Thereupon Mr. Regan, seconded by Mr. Rock, moved,—

That the Clerk be authorized to obtain for the use of the Committee, 65 copies in English and 22 copies in French of the Canada Shipping Act.

Mr. Cowan inquired about the discussion of Bill S-33, "An Act to incorporate the Ottawa Terminal Railway Company", already before the Committee.

Thereupon the Chairman called Clause 1 of Bill S-7, "An Act to amend the Canada Shipping Act", and informed the Committee that the Minister of Transport and other witnesses would be heard. He introduced the Minister of Transport and his officials.

The Honourable Mr. Pickersgill tabled an amendment to Bill S-7 in connection with the *National Flag of Canada*.

On the suggestion of the Honourable Minister of Transport, the Committee agreed to meet at 9.30 o'clock a.m. on Friday, February 19, 1965.

Mr. Baldwin, Deputy Minister of Transport, explained the substance of Bill S-7, and he tabled the following amendments

### *On Clause 7*

That Bill S-7, an Act to amend the Canada Shipping Act, be amended by striking out subsection (1b) of section 391 in Clause 7 (re-numbered as Clause 10), lines 30 to 38 on page 5 thereof and by substituting therefor the following:

Inspection of Canadian steamships not Safety Convention ships

"(1b) Subject to sections 480 to 482, every Canadian steamship that is not a ship described in subsection (1) or (1a) shall have its hull, machinery and equipment inspected by a steamship inspector in accordance with the regulations before the ship is first put into service and at least once in each year thereafter or, if classification surveys are made, in such longer period, and subject to such conditions as may be prescribed by the regulations."

*On Clause 16*

That Bill S-7, an Act to amend the Canada Shipping Act, be amended by striking out paragraph (d) of section 482 in Clause 16 (re-numbered as Clause 19), lines 29 to 43 on page 10 thereof and by substituting therefor the following:

- “(d) if the ship is a cargo ship other than a nuclear ship and there has not been produced a certificate mentioned in paragraph (a)
- (i) a valid Cargo Ship Safety Construction Certificate and a valid Cargo Ship Safety Equipment Certificate, where the gross tonnage of the ship is five hundred tons or more, and
  - (ii) a valid Cargo Ship Safety Radiotelegraphy Certificate, where the gross tonnage of the ship is sixteen hundred tons or more, or a valid Cargo Ship Safety Radiotelephony Certificate, where the gross tonnage of the ship is less than sixteen hundred tons, and any valid Exemption Certificate that has been issued in respect of the ship.”

And debate arising thereon, Mr. Macaluso, seconded by Mr. Rock, moved, That Clauses 6 to 27 both inclusive be adopted as amended.

*On Clause 28*

Adopted.

*On Clause 35*

Adopted.

*On Clauses 2 and 30*

Discussion arising thereon, Mr. Macaluso, seconded by Mr. Lloyd, moved, That they be adopted.

Thereupon, Mr. Rock, seconded by Mr. Crouse, moved

That Clauses 2 and 30 be allowed to stand until the Minister of Transport give further explanation.

And the question being put on Mr. Rock's amendment, it was resolved in the affirmative: Yeas, 6; Nays, 5.

Consequently, Clauses 2 and 30 were allowed to stand.

And the examination of the witnesses still continuing, at 12.30 o'clock p.m. the Committee adjourned until 4.00 o'clock p.m. this day, it being understood that thirty minutes would then be allowed to form a quorum.

## AFTERNOON SITTING

(22)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 4.10 o'clock p.m. this day. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Barnett, Cantin, Cowan, Crouse, Granger, Hahn, Kennedy, Lachance, Lessard (*Saint-Henri*), Leblanc, Lloyd, Macaluso, McNulty, Richard, Rock, Tucker, Winch (18).

*In attendance:* Same as at the morning sitting, and Capt. W. S. G. Morrison, Superintendent, Nautical Examinations, Marine Regulations Branch of the Department of Transport; also Mr. Robert F. Cook, President, Canadian Brotherhood of Railway, Transport and General Workers, Local 425, Vancouver; and Capt. E. W. Meadows, Assistant Secretary, The Canadian Merchant Service Guild.

The Committee resumed its consideration of Bill S-7, an Act to amend the Canada Shipping Act.

On Clause 29

Adopted.

On Clauses, 31, 32, 33 and 34

Adopted.

On Clause 36

Adopted.

On Clauses 3 and 5

Adopted.

On Clauses 37 and 1

Adopted.

On motion of Mr. Macaluso, seconded by Mr. McNulty,

Resolved,—That Bill S-7, an Act to amend the Canada Shipping Act, be amended

(1) by adding thereto, immediately after clause 1 thereof, the following clauses:

2. Section 87 of the said Act is repealed and the following substituted therefor:

Penalty for unduly assuming Canadian character.

"87. (1) If a person uses the *National Flag of Canada* and assumes the *Canadian* national character on board a ship owned in whole or in part by any persons not qualified to own a Canadian ship, for the purpose of making the ship appear to be a Canadian ship, the ship is subject to forfeiture under this Act, unless the assumption has been made for the purpose of escaping capture by enemy or by a foreign ship of war in the exercise of some belligerent right.

Burden of proof.

(2) In any proceeding for enforcing any such forfeiture the burden of proving a title to use the *National Flag of Canada* and assume the *Canadian* national character shall lie upon the person using and assuming the same."

3. Section 89 of the said Act is repealed and the following substituted therefor:

Penalty for acquiring ownership if unqualified.

"89. If an unqualified person acquires as owner, otherwise than by such transmission as hereinbefore provided for, any interest either legal or beneficial, in a ship using the *National Flag of Canada* and assuming the *Canadian* national character, that interest is subject to forfeiture under this Act."

4. Subsections (1) and (2) of section 91 of the said Act are repealed and the following substituted therefor:

National colours for ships, and penalty on carrying improper colours.

"91. (1) The *National Flag of Canada* is hereby declared to be the proper national colours for all Canadian ships and all ships and boats that would be registered in Canada if they were required to be registered at all, belonging to any British subject resident in



Canada, except in the case of any ship or boat for the time being allowed to wear any other national colours in pursuance of a warrant from Her Majesty or under regulations which may be made by the Governor in Council.

Offence and penalty.

- (2) Where a ship or boat described in subsection (1) flies
- (a) any distinctive national colours other than the *National Flag of Canada*; or
  - (b) the colours or pendant usually carried by Her Majesty's ships or any colours or pendant resembling the colours or pendant of Her Majesty, without a warrant from Her Majesty or pursuant to regulations made by the Governor in Council,

the master of that ship or boat, or the owner thereof if he is on board, is guilty of an offence and liable on summary conviction to a fine not exceeding five hundred dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment."

and by renumbering clauses 2 to 37 accordingly.

(2) by striking out clause 40 thereof and substituting therefor the following:

"40. (1) Section 1, sections 9 to 30 and section 39 of this Act shall come into force with respect to Canadian ships, and with respect to ships registered in any other country on a day or days to be fixed by proclamation of the Governor in Council.

(2) Section 6 and section 38 of this Act shall come into force on a day or days to be fixed by proclamation of the Governor in Council."

The Chairman reminded the Committee that clauses 2 and 30 were allowed to stand until the appearance of the Minister of Transport before the Committee on Friday, February 19, 1965.

#### *On Clause 4*

The Chairman introduced Mr. Robert F. Cook and Capt. E. W. Meadows. The latter read a prepared brief which had been distributed in English to the members of the Committee.

The examination of the witnesses still continuing on Clause 4, at 5:30 o'clock p.m., the Committee adjourned until 9:30 o'clock a.m. on Friday, February 19, 1965.

FRIDAY, February 19, 1965

(23)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:40 o'clock a.m. this day. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Barnett, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cantin, Cowan, Crouse, Foy, Granger, Hahn, Laniel, Macaluso, Matte, McNulty, Millar, Pascoe, Richard, Rock, Southam, Tucker, Winch (21).

*In attendance:* The Honourable John Whitney Pickersgill, *Minister of Transport*; Mr. Robert F. Cook, President, *Canadian Brotherhood of Railway, Transport and General Workers, Local 425*, Vancouver; Capt. E. W. Meadows, Assistant Secretary, *The Canadian Merchant Service Guild*; Mr. J. Rod Lindsay, General Manager, *Vancouver Tug Boat Co. Ltd.*, and also Director of *B.C. Towboat Owners Association*; Mr. Harold L. Cliffe, Manager, *Canadian Tugboat Co. Ltd.*, and also Director of *B.C. Towboat Owners Association*.

*On Clauses 2 and 30*

Mr. Rock asked for and received from the Minister of Transport clarification of those clauses.

Clauses 2 and 30 are adopted.

*On Clause 4*

Mr. Cook resumed his observations.

The Committee agreed to hear witnesses present at the meeting before questioning Capt. Meadows and Mr. Cook.

Mr. Lindsay read a prepared brief which had been distributed in English to members of the Committee, and he added a few comments on his own statement.

It being 10:45 o'clock a.m., at the suggestion of the Minister of Transport, the Committee agreed to adjourn until 2:30 o'clock p.m. this day and meet in Room 253-D in order to resume the examination of the witnesses.

The Committee adjourned until 2:30 o'clock p.m. this day.

## AFTERNOON SITTING

(24)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 2:30 o'clock p.m. this day. The Chairman, Mr. J. T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Addison, Barnett, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cantin, Cowan, Foy, Granger, Hahn, Lachance, Lloyd, MacEwan, Macaluso, McNulty, Richard, Rock, Tucker, Winch (19).

*In attendance:* Same as at the morning sitting; and *from the Department of Transport:* Messrs. Alan Cumyn, Director, Marine Regulations Branch; R. R. MacGillivray, Assistant Counsel, Law Branch, and E. J. Jones, Steamship Inspection Service.

*On Clause 4*

The Committee resumed its study of Bill S-7 and the examination of the witnesses.

Messrs. Cumyn and MacGillivray made comments on the briefs presented by the two associations heard previously.

At 2:55 o'clock p.m., the members of the Committee being called at the House of Commons, the meeting was suspended.

At 3:10 o'clock p.m., the Committee resumed its examination of the witnesses and it was agreed that the brief to be presented by Upper Lakes Shipping Ltd., would be annexed to the proceedings of today's sittings, with the mention that it was received after Bill S-7 had been adopted by the Committee.

The Committee agreed to meet on Tuesday, February 23, 1965, to study Bill S-41, An Act to incorporate Mountain Pacific Pipeline Ltd., Bill S-43, An Act respecting Canadian-Montana Pipe Line Company, and Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company; and on Thursday, February 25, 1965, to study Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

After discussion, Mr. Macaluso, seconded by Mr. Hahn, moved

That Clause 4 of the Bill be adopted.

The question being put, it was resolved in the affirmative: Yeas, 10; Nays, 3.

The title of the Bill and the Bill itself were adopted.

The Committee instructed the Chairman to report Bill S-7 to the House, as amended.

At 4:50 o'clock p.m., the Committee adjourned until 10:00 o'clock a.m. on Tuesday, February 23, 1965.

Marcel Roussin,  
*Clerk of the Committee pro tem.*

#### *Note*

A letter dated February 24, 1965, and received from Mr. R. V. Sankey on February 25, 1965, Counsel for Upper Lakes Shipping Ltd., advises the Committee that the above-mentioned Company will not present a brief. (*See Appendix "A" to today's proceedings.*)



## EVIDENCE

THURSDAY, February 18, 1965.

The CHAIRMAN: Gentlemen, we have a quorum. I declare this meeting open.

I would like to have a motion from a member of the committee to authorize the clerk to obtain, for the use of the members of the committee, 65 copies in English and 22 copies in French of the Canada Shipping Act. As you know, this is a voluminous act and copies of it would have to be purchased from the queen's printer. I feel all the members of the committee should have an original copy of the shipping act. Would someone like to move such a motion?

Moved by Mr. Regan, seconded by Mr. Rock.

Motion agreed to.

The CHAIRMAN: Now, gentlemen, we are on the Canada Shipping Act. This Bill No. S-7 was passed by the Senate after many days of hearings in committee. I trust that while we will do our work as seriously as usual, we will be able to be as diligent as possible. I am sure that some of the members realize in a sense there is a duplication of work in the presentation of testimony before committees. I am not one to agree that because evidence has been given before a Senate Committee we should accept that evidence just because it is printed. However, I hope the members will keep in mind that this is available, and there may be those who have had the opportunity to read the Minutes of Proceedings and Evidence of the standing committee of the Senate.

This morning we have with us the Hon. Mr. Pickersgill, the Minister of Transport. In addition we have Mr. J. R. Baldwin, deputy minister, Department of Transport; Alan Cumyn, director, marine regulations branch; Mr. R. R. MacGillivray, assistant counsel, legal branch, Department of Transport; Mr. F. S. Slocombe, chief, nautical and pilotage branch; Mr. J. H. W. Cavey, chief, harbours and property branch; Mr. G. G. M. Guthrie, supervisor, registry of shipping; Mr. E. J. Jones, steamship inspection service; Mr. A. G. E. Argue, radio regulations division; and Mr. C. D. Kenny, also of the radio regulations division. All of these gentlemen are officials of the Department of Transport. In addition, other parties have signified their intention to appear before the committee, such as representatives from the Dominion Engineers and also boat owners associations, and so on. These persons will be given the opportunity to testify before this committee.

At this time it is my intention to ask the Hon. Minister of Transport to make some opening remarks.

Mr. COWAN: Mr. Chairman, before we start dealing with Bill No. S-7, I would like to ask a question. In the fall, before adjournment, on December 18 we were discussing Bill No. S-33 which I have in my hand. In this bill at page 17, clause 26, it says:

Except as otherwise expressly agreed to by the parties hereto, all transfers of land and facilities referred to in this memorandum shall take place simultaneously on the second day of January, 1965.

The CHAIRMAN: This morning we are discussing Bill No. S-7.

Mr. COWAN: Is this bill dead now?

The CHAIRMAN: The bill to which you are referring is not before the committee this morning.

Mr. COWAN: It had a date in which we did not meet. I would like to know what happened.

The CHAIRMAN: I cannot discuss that with you because I am not an official of the government.

Hon. J. W. PICKERSGILL (*Minister of Transport*): I may say, Mr. Chairman, the government has decided, in view of the urgency in getting through with the Canada Shipping Act, and in the hope that my suggestion will be accepted about the railway bill, that the subject matter would be referred to this committee so that we can hear some of the representations that people wish to make on it before it is reintroduced at the next session. In that way we hope to abbreviate the length of time that will be required during the next session with a major piece of legislation. The government has decided not to proceed at this session with this bill at all, but rather to stand it over and have it introduced at the next session of parliament.

Mr. COWAN: Would the transfer of land take place as required?

Mr. PICKERSGILL: I do not have the faintest idea. I would have to inquire.

Mr. COWAN: The National Capital Commission told us what to do and we did not do it.

Mr. PICKERSGILL: I am not the minister responsible for the National Capital Commission.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Do I understand we merely are going to have a preliminary hearing on the Canada Shipping Act?

Mr. PICKERSGILL: No. What I was referring to as being preliminary was the hearings on the railway bill. I am rather hopeful, from such conversations as I personally have been able to have, that perhaps tomorrow or Monday the house might agree to let my colleague, Mr. McIlraith, move an amendment to the bill that the subject matter of it—that kills the bill—be referred without debate to this committee so that the committee could take advantage of the two or three weeks, whatever it may be, that are left of this session. There are many persons all over the country who wish to be heard on that railway bill. Then the bill would be introduced again at the next session. We feel that if we could take advantage of these two or three weeks we might get a summer recess and have the bill passed still in the year 1965. This is just a way of saving some time.

There is no agreement among the parties on this, but I rather hope there may be.

So far as the Canada Shipping Act is concerned, the government had hoped to get it through in the session of 1963. Indeed, the previous government had hoped to get a bill very similar to this through. This, in most respects, just is a tidying up operation. It has been through the Senate where it was very thoroughly considered. We are very hopeful that in one or two sessions of the committee we may be able to dispose of this bill.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Clause 4 of the bill contains a subject matter which has been referred to a commission set up under the authority of the Department of Labour. The federal government is going to pay 50 per cent of the cost. This commission has been established and I believe the document is to be signed today.

Mr. WINCH: May I ask the minister whether he is instructed that this matter will come before the house at this session in view of the fact that there is an agreement under which a number of the very matters which are in the amendment now are the subject of an inquiry in respect of which the government is paying 50 per cent, the employers 25 per cent and the trade unions involved 25 per cent? I think it is rather important that we now hear why we are discussing amendments to a bill when an inquiry has been set up on a

number of subjects covered by this bill. Are we going to have a *fait accompli* before we can get the inquiry going?

Mr. PICKERSGILL: I am advised that the amendments proposed under clause 4 of this bill are amendments having to do with safety and have nothing to do with any inquiry that would have been set up by the Department of Labour.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It has to do with manning.

Mr. WINCH: Brake horsepower and nominal horsepower. It has to do with safety.

Mr. ROCK: Would these gentlemen be more specific in respect of the relationship between this inquiry and clause 4? It may be serious or it may not be.

Mr. PICKERSGILL: I would be quite prepared to let clause 4, if it should be reached this morning, stand to give us an opportunity to consult with the Department of Labour to ascertain whether in fact there would appear to be any kind of a conflict. Of course, if the subject matter here is in fact going to interfere in any way with the problem, pursuant to that inquiry, I would give the undertaking here and now that we are prepared to make the necessary excision from the bill so that there will be no such conflict.

Mr. WINCH: Do I understand that you did not know this inquiry had been established by the Department of Labour?

Mr. PICKERSGILL: Personally, I had not been consulted about it. There are a great many things about which ministers are ignorant and about which other members are well informed.

The CHAIRMAN: Gentlemen, we are on clause 1.

On Clause 1—*Cargo ship*.

The CHAIRMAN: It is my thought that the minister would give us a general statement on the bill.

Mr. PICKERSGILL: As a matter of fact, that is what I had hoped to do. However, before doing so I would like to say something which I hope will not be regarded as a sensational piece of news, although this is a very risky thing to do. In sections 87, 89 and 91, the Canada Shipping Act contains certain statutory provisions regarding the use of the red ensign on merchant ships. I believe this is the only place in the statutes of Canada where there is any statutory obligation with regard to the flying of flags. Whether rightly or wrongly, I had assumed, in view of the fact that parliament has made a pronouncement on the question of the flag, and that the Queen's proclamation has been issued, we would not wish to perpetuate the obligation in this statute to fly a flag which has ceased, by due process of law, to be the flag of Canada. Therefore, I would hope that this committee would be prepared to support an amendment to this bill which, of course, would have to go back to the other house for concurrence. This amendment would substitute in those clauses the national flag of Canada in place of the present provisions thereof.

I think we have sufficient copies of this proposed amendment that it could be distributed. In a technical sense, after clause 1 it would add clauses 2, 3 and 4, and necessitate the rewording of the other clauses.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is it the intention of the government to follow what has been the precedent which caused the development of the red ensign as a distinctive flag which would distinguish the merchant marine from naval vessels or other government vessels?

Mr. PICKERSGILL: No. I am not an authority on this subject, but as I understand it the present purpose is that there will be no ensigns of any kind; that is, orders in council have been passed and the national flag of Canada has been substituted for the blue ensign, for the white ensign and, in so far as use



in the army is concerned, for the red ensign, and for the air force ensign. I would think it would be rather exceptional to have a flag for the privately owned merchant ships of Canada which would be different from the national flag, unless we are going to adopt the system of ensigns for the armed forces and government ships as well.

Up until now the government has given no consideration to that, although I understand the question is not closed.

Mr. WINCH: Mr. Chairman, may I ask one question. I have been asked this question and I do not know the answer; perhaps the minister may know it. I have been asked by the royal yacht clubs what their position is. Does this cover the royal yacht clubs at all?

Mr. PICKERSGILL: No. Since they are voluntary organizations the government would not seek to impose upon them any rules at all.

Mr. WINCH: There is some wording here and I am wondering whether or not it applies to the royal yacht clubs. I have specific reference to the Vancouver Royal Yacht Club.

Mr. PICKERSGILL: Before answering as technical a question as that I would like to obtain legal advice. I will suggest that the departmental solicitor consult the Department of Justice about this point.

Mr. WINCH: I know that the Vancouver Royal Yacht Club would like to have an answer. At the moment they still are flying the red ensign.

Mr. PICKERSGILL: Before we ask the committee to approve this, we will have an answer.

Mr. COWAN: We have been told times without record, in both French and English, that the red ensign was a marine flag and that because of this we should not be flying it in Canada. Surely to heavens you are not going to try to bury the flag now.

Mr. PICKERSGILL: I think it would be rather difficult to perpetuate a statutory obligation to fly a flag which has ceased to have any official character whatsoever, except on privately owned vessels, and to make it an obligation on the owner of a vessel to fly a flag which no longer is recognized as the national flag of Canada. In any event, we intend to ask the committee if it will accept this amendment so that it will not be an offence for a vessel owner not to fly the red ensign. This does not mean that he cannot fly a red ensign if he wishes to do so. Anybody in this country who wants to can fly a red ensign. Canada is a free country and I hope is going to remain so. I am the last person who wishes to dictate to people in respect of what they must do in these matters.

Indeed, I myself do not mind having this statutory provision taken out of the act and having substituted therefor a provision that whatever flag from time to time may be prescribed by proclamation would be flown. That would meet the point raised by Mr. Cameron. It could be done in this manner instead of having this kind of a statutory provision. If some member of the committee feels that would be a better approach to the matter, I would be perfectly prepared to accept that as an alternative.

If I now may speak about the bill, really I do not pretend to have the knowledge of the technical aspects of this bill which my officials have. For me to attempt to give a conspectus of the whole bill would, I think, be very foolish, and I am not sure how much value it would be to anyone to have such a conspectus. However, there is one subject which I do think is of sufficient importance that I ought to underline it, although it was underlined very thoroughly in the Senate. The bill does reserve the coastal shipping of Canada to Canadian shipping west of a point drawn across the gulf of St. Lawrence. This is a policy which was announced by the hon. gentleman who is just taking his seat now when he was minister of transport, if I remember correctly.

However, it required the concurrence of the other parties to the Commonwealth Shipping Conference before we could do it, because up until now our coastal shipping has been reserved to ships under the registration of commonwealth countries and not simply to those of Canadian registration. Because there were registrations in some parts of the commonwealth where the safety regulations were not comparable to ours, this could lead to a kind of competition with Canadian shipping. On balance, it was felt by the government to which the hon. member for Three Rivers belonged, and in which the present government has concurred, that this was not reasonable, particularly in the St. Lawrence river and the great lakes.

It was felt that it would be very difficult to exclude these traditional ships in the gulf of St. Lawrence and in Newfoundland, where it was traditional. And this line was drawn as indicated now in the bill. There are those of course who will say that this is a restrictive device. To some degree I suppose that is true, but it is also true that practically every country in the world does restrict its own coastal shipping to its own nationals and to the ships under its own registry. That of course is emphatically true in the case of the United States. However, on balance the government decided to go ahead with the proposal that was made by the previous government in this regard, and it is the one really important new departure in this bill.

For the rest I think it would be fair to say, looking at my officials as I do, that the rest is mostly housekeeping. The deputy minister says it is important housekeeping, but all housekeeping is important. Anybody who is careless about housekeeping, whether a housewife or a head of a government, finds that out very quickly.

While it is important housekeeping, it is not what you should call very sensational stuff. I think therefore it would be far better for someone else less sensational than I am to try to discuss it.

Mr. WINCH: May I ask exactly how you would desire us to proceed, Mr. Chairman, because as the minister has said, this is just housekeeping. Yet in view of the importance it has, it is housekeeping which effects very specifically safety and employees.

Mr. PICKERSGILL: Yes.

Mr. WINCH: The mere fact that there is in this act a differentiation between nominal and brake horsepower suggests that it is housekeeping. May I ask how you desire to proceed with this bill?

The CHAIRMAN: At first I thought that when the minister had finished his remarks, I would be very curious to hear from Mr. Baldwin, before we proceeded with the clauses of the bill, and that he might tell us a little more about this housekeeping, and just what the bill contains. I think these could be divided into certain groups of clauses. I think when Mr. Pickersgill is through I shall ask Mr. Baldwin to tell us exactly what this bill does in its general aspects.

Mr. PICKERSGILL: I am through. I am going to stay as long as I dare, Mr. Chairman, but there is also a cabinet meeting going on and I was asked by the Prime Minister to turn up before that meeting was over. So if you observe me quietly slipping out after a little while you will understand that it is not that I am not charmed to be in your company, but that I also belong to a secret society.

The CHAIRMAN: It is not so secret.

Mr. PICKERSGILL: Where I have an obligation as well.

The CHAIRMAN: Now, Mr. Baldwin.

Mr. LLOYD: I take it that the minister in short has stated that this is technical stuff, and that the officers of the department should now brief us



in the same way so that we may all have comprehension of the bill. I suggest that we proceed briefly with Mr. Baldwin.

Mr. BARNETT: I presume the minister will be available to the committee again at a further hearing.

Mr. PICKERSGILL: If the committee would consent to sit tomorrow morning at 9.30, I would be delighted to be here, and I would wipe out any other possible engagement which I had because we would like very much to get on with this bill so that if possible we could do the exercise I suggested on the railway bill.

The CHAIRMAN: Is it the wish of the committee that we sit at 9.30 tomorrow morning?

Agreed.

Now, Mr. Baldwin.

Mr. J. R. BALDWIN, Esq. (*Deputy Minister, Department of Transport*): Mr. Chairman, ladies and gentlemen, the bill, which you have before you for review, contains a number of lesser or miscellaneous clauses. I think it might be broken down into seven main groupings according to subject matter. While the clauses that would fall under each of these groupings do not necessarily come seriatim in the bill before you, nevertheless these are some of the headings that the bills deals with. The first is the series of clauses dealing with the international convention on the subject of safety of life at sea. This is an international, intergovernmental agreement on life standards which basically sets forth a number of safety standards which deal with safety aspects for marine shipping.

Incidentally, when I refer to safety of this kind, this does not involve the particular clause to which Mr. Winch and Mr. Cameron referred. The international convention of 1948 was revised at a major international conference in 1960, and we have improvements in a number of respects. There are a substantial series of clauses within this bill which now proceed with the implementation, or make it feasible to proceed with new implementations, of a new international convention on the safety of life at sea.

The CHAIRMAN: Could you indicate at the same time what sections are involved?

Mr. BALDWIN: Well, these would be clauses 6 to 27 of the new bill.

The CHAIRMAN: Please proceed.

Mr. BALDWIN: There is also some material in the new bill which deals with the question of oil pollution from ships. This is also a matter of considerable importance in the coastal areas of Canada. The clause that is concerned in this connection is clause 28, and it is designed to strengthen the government's position in the matter of dealing with oil pollution from ships. We have already been active in this field, and as a result an amendment was first introduced a few years ago, but this will make it possible for us to deal with it in even a broader area in terms of the amount of water to which our transportation would apply. There are technical officials available to go into this in greater detail for you. I am merely dealing with the main headings now.

There are also a couple of clauses—my recollection is that they are the small boat clauses, that is, clauses 3 and 30, which deal with our authority in regard to the regulation of pleasure boats, small craft which are not in the normal registration category but are in the licensing category.

Mr. WINCH: What are those clauses again?

Mr. BALDWIN: They are clauses 3 and 30. No, I should say clauses 2 and 30 in the revised printing. The prime purpose of these clauses again is to achieve certain additional authority and jurisdiction in the pleasure boat field in order to enable us to meet again with the provinces to accomplish certain things which we think and hope that they, or some of them at least, feel need to be done in regard to pleasure boat regulations.



We do have authority now to license small craft, and pleasure boats. This has been put into effect, and we have authority to license small boat operators, but this we have never used.

The present legislation would make it possible for us to deal with the provinces as agents in implementing schemes, if they so desire, in regard to licensing at various local levels.

Basically it is our view that licensing or control in the small boat field is something which is very difficult to administer, and that the establishment of a nationwide rigid level of it needs to be approached pretty well at the local requirements level, and this is the object we have in mind.

Similarly in clause 30, this would enable us to work out with the provinces and municipalities certain plans whereby the operation of small boats in certain areas could be restricted to municipal requirements for safety or other reasons.

The fourth large subject heading I would like to mention has to do with the question of cabotage in the great lakes. I do not need to say anything about it because the minister has already covered it in his remarks. But this is one of the main subject items in the bill. This is dealt with in clause 38 at the end of the bill.

The fifth subject I would like to mention relates to the licensing and certification of the officer classes on fishing vessels. This is an attempt that is being developed after extensive consultations with representatives of the industry itself to proceed towards the upgradings of standards of the officer class of fishing vessels in the interest of the industry itself.

We have attempted to offer advice which will not in any sense harm or injure the position of those who are serving on fishing vessels now. Their right to carry on will be recognized, but gradually there will be introduced a new system of certification which will I think be of considerable assistance to the industry itself. This was developed after extensive consultation with the industry. This also was one of the clauses debated at very great length in the Senate committee to make sure that the method of introduction was not harmful to those now in the industry, and certain amendments were introduced at the Senate level to help develop this. This is dealt with in clauses 3 and 5.

Mr. WINCH: May I ask one question? Referring to the great lakes, you mentioned clause 38. I do not have any clause 38.

Mr. BALDWIN: Oh, I am sorry. I should have said clause 35. There are also certain clauses dealing with the question of liability in law in regard to ships under the Canada Shipping Act. I do not myself feel competent to go into detail on this, because they are very complicated legal clauses. But we have the departmental solicitor present who can explain these clauses. I refer to clauses 31 to 34, and there are as well certain clauses relating to the safety standards of tugboats and for passenger boats in regard to the question of engineering matters. These are the clauses to which Mr. Winch and Mr. Cameron were referring at an earlier stage. Clause 4 is the primary one.

These are the seven main headings. Then there are a number of small miscellaneous clauses as well, which I do not think require special mention, because in your review you will pick them up as you go through the bill.

The CHAIRMAN: Mr. Baldwin suggests, ladies and gentlemen, that we might proceed at this time with the safety clauses which are clauses 6 to 27, because they are a group. Is that the wish of the committee?

Mr. WINCH: May I suggest that we not do it that way because I think that safety, which involves clauses 6 to 27, does and must tie in with the safety standards of tugboats and so on, inasmuch as the safety clause deals wholly with the international convention.

The CHAIRMAN: It deals entirely with the international convention.

Mr. LEBLANC: I notice that Mr. Baldwin referred to clauses 29 and 30, yet clauses 31, 32, 33 and 34 are not mentioned. Under which caption of the seven main items to which he referred would they apply?

Mr. BALDWIN: They are miscellaneous clauses which are purely routine housekeeping clauses in our opinion, and I did not illustrate them as a special heading.

Mr. MACALUSO: Dealing with the safety clauses, the international convention, clauses 6 to 27, we do not have too much to do with them. These are pretty well standard international conventions of the countries which have entered into them.

Mr. BALDWIN: That is true.

Mr. MACALUSO: You are only bringing them to our attention. But if we wanted to change them, we would have to go back to international negotiations again.

Mr. PICKERSGILL: Unless we wish to police the movements under the safety convention, we would still be operating under the provisions of the 1948 convention.

Mr. LANIEL: My question would have been along the same lines.

Mr. ROCK: We could agree to what you said.

The CHAIRMAN: Very well. On clauses 6 to 27 are there any questions?

Mr. WINCH: I have a question which comes under clause 4. As clauses 6 to 27 deal with the international convention might I ask if this convention applies to passenger ships strictly on coastal service in Canada?

Mr. MACGILLIVRAY: They apply only to passenger ships engaged in international voyages.

Mr. WINCH: You say only on international voyages?

Mr. MACGILLIVRAY: Yes.

Mr. WINCH: If we have a ship running for example between Vancouver, Victoria, and Seattle, such as the C.P.R. line, then it would be covered. But if it only goes from Vancouver to Prince Rupert, it is not?

Mr. MACGILLIVRAY: The amendments do not affect it. The provisions in the act relating to passenger ships in domestic voyages are not being changed. They are already of a very high standard.

Mr. WINCH: This leads to my next question: Are these regulations strictly for Canadian coastal passenger ships perhaps going from Vancouver to Seattle? Are the regulations which govern our Canadian passenger ships of such a nature that under this convention they would then be in order to go to Seattle?

Mr. MACGILLIVRAY: Yes, sir.

Mr. WINCH: The regulations are of such a nature that they are identical?

Mr. MACGILLIVRAY: Yes.

Mr. WINCH: Or even better.

Mr. MACGILLIVRAY: Yes. Our standards are as high at least as the convention standards and sometimes higher.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice there is a part of clause 7 which does refer to ships not under the safety convention. In clause 7, subclause (1), paragraph (1b) it says:

Every Canadian steamship that is not a safety convention ship, shall have its hull, machinery, and so on . . .

Are these the same regulations which are in effect now?



Mr. MACGILLIVRAY: The provisions about the non-convention ships are unchanged. It just happens that they are dealt with in the section being amended, and we had to mention them.

Mr. BARNETT: I have one question which is technical. I notice in the former section 389 which you suggest should be repealed, that full details as to the international convention are set out, whereas in the proposed new clause it simply refers to the safety convention. Is there any reason why we do not spell out in detail what safety convention we are talking about?

Mr. MACGILLIVRAY: That is handled in clause 1, the definition section, where safety convention is defined as being the 1960 one.

Mr. BARNETT: That is the new section on definitions.

The CHAIRMAN: Are there any other questions? If not, Mr. MacGillivray has something else to say about the clauses.

Mr. MACGILLIVRAY: It is just that in the drafting of these sections, which are highly technical, two errors have been made and were not caught by the technical people until after the bill was passed through the Senate. Since it is going to have to go back to the Senate anyway, we would like to correct these two errors. One appears in clause 7, section 391, and the other is in clause 16, section 402. In each case it is just a minor error which we made. The very words that Mr. Cameron mentioned appear in line 31 on page 5 which refer to "not a Safety Convention ship". What we ought to have said is a ship that is not a ship described in subsections 1 or 1(a). I have prepared and have ready for circulation changes in those two clauses that would make them read properly in accordance with the convention.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I have another question on the definition in the clause. I notice that the definition of a cargo ship is a negative definition. It would appear to me that under this definition towboats could be classified as cargo ships.

Mr. MACGILLIVRAY: This is a matter of convenience in selecting a definition. The safety convention makes certain requirements for passenger vessels, the different requirements for all other vessels; it excludes fishing vessels and yachts. It was therefore convenient, in drafting the section, that cargo ships should include everything other than a passenger ship, a pleasure yacht or a fishing vessel. And then, in using the term throughout the operative sections, this has been borne in mind, that the requirements made for a cargo ship are applicable to a tug.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is the point that I wanted to stress because it is quite well known to many of us who are acquainted with the logging industry in British Columbia that many towboats employed by logging companies act as cargo ships also. Sometimes they are dangerously overloaded by boom chains which are taken to the various logging camps. Would this be prohibited if a towboat were clearly excluded from the definition of a cargo ship?

Mr. MACGILLIVRAY: The provision we have here relating to cargo ships is only a provision relating to safety convention cargo ships; that is, cargo ships of over 500 tons and going on international voyages.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I see no provision here for regulating the quantity and weight of equipment, such as boom chains, that may be carried by a towboat and which are not essential to the operation of that towboat; they are not part of the mechanism. This is a convenience which logging companies employ to transport extremely heavy equipment for their logging operations.

Mr. MACGILLIVRAY: We are not making any changes in this bill, in the provisions that relate to that. There is a provision in the act that prohibits



overloading of a ship or the sending of a ship to sea in an unseaworthy state by reason of overloading. This bill does not deal with that; it remains unchanged. The provision on that applies to all ships, cargo ships or otherwise.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I know it refers to cargo ships, and that you have the facilities for making inspections of regular cargo ships, but have you any facilities for making inspection of towboats?

Mr. MACGILLIVRAY: Yes, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are they carried out?

Mr. MACGILLIVRAY: Yes, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The history of some of the accidents off the coast would suggest they have not been carried out.

Mr. WINCH: Mr. Chairman, there are a few questions which I would like to ask. Would the deputy minister or one of his staff explain what is the difference between inspection and licensing under sections 392 and 393 in view of the amendments, because under clause 8, 393 is to be amended. In subclause 3, it says:

Where the chairman has received a report of inspection described in section 392 in respect of a Canadian ship that is a nuclear ship not intended to be used on an international voyage, and he is satisfied that all the relevant provisions of this act and the regulations have been complied with, he shall issue for that ship an inspection certificate appropriate to the class and intended service of that ship.

Whereas, under clause 10, where it deals with section 393, it is said:

that complies with all the provisions of this part applicable to Safety Convention passenger ships, other than nuclear ships,

There is a little confusion there which I would like to have clarified. One says it includes nuclear ships and the other says it includes other than nuclear ships.

Mr. MACGILLIVRAY: In the safety convention—we reflected it in the bill—they have distinguished nuclear ships from other ships quite consistently because, as far as non-nuclear ships are concerned, certain exemptions are permitted from the most stringent provisions of the safety convention. However, as far as nuclear ships are concerned, there are no exemptions permitted at any time.

Mr. WINCH: What is the meaning then of subclause (3) of clause 8 on page 6 which says:

He shall issue for that ship an inspection certificate appropriate to the class and intended service of that ship.

While on page 7, under clause 10, it is said “other than nuclear ships”, which means that the nuclear ship is excluded. I do not understand the difference.

Mr. MACGILLIVRAY: Subsection (3) of section 393 on page 6 deals with nuclear ships that are not convention ships, that is, that are not going on international voyages. Since they are not on international voyages, they do not get a safety convention certificate of the type provided in section 395, dealt with in clause 10 on page 7, Clause 10 is simply put in here to rename the certificates that are to be issued under the safety convention. A nuclear ship that does not go on international voyages is not eligible for a safety convention certificate; it gets an inspection certificate issued by the inspection service.

Mr. WINCH: Why should there be differentiation between inspection and licensing of a nuclear ship in British Columbia and one going outside British Columbia waters?

Mr. MACGILLIVRAY: The standards are not different, it is just that the safety convention provisions apply only to ships going on international voyages. The act has always been so defined that if a ship is going on an international voyage, the owner applies for a safety convention certificate and for the inspection that goes with it. If he is only on domestic voyages, he gets an inspection certificate, whether the ship is nuclear or non-nuclear.

Mr. WINCH: Does it get a safety convention nuclear cargo ship certificate or a passenger ship certificate?

Mr. MACGILLIVRAY: The standards are at least as high for the domestic nuclear ship as for one going on international voyages.

Mr. MACALUSO: In order to assist the department I would move that the two amendments proposed by the department be adopted.

The first one reads as follows:

That Bill S-7, an act to amend the Canada Shipping Act, be amended by striking out subsection (1) (b) of section 391 in clause 7 (re-numbered as clause 10), lines 30 to 38 on page 5 thereof and by substituting therefor the following:

"(1) (b) Subject to sections 480 to 482, every Canadian steamship that is not a ship described in subsection (1) or (1) (a) shall have its hull, machinery and equipment inspected by a steamship inspector in accordance with the regulations before the ship is first put into service and at least once in each year thereafter or, if classification surveys are made, in such longer period, and subject to such conditions as may be prescribed by the regulations."

The second amendment reads:

That Bill S-7, an act to amend the Canada Shipping Act, be amended by striking out paragraph (d) of section 482 in clause 16 (re-numbered as clause 19), lines 29 to 43 on page 10 thereof and by substituting therefor the following:

"(d) if the ship is a cargo ship other than a nuclear ship and there has not been produced a certificate mentioned in paragraph (a)

(i) a valid Cargo Ship Safety Construction Certificate and a valid Cargo Ship Safety Equipment Certificate, where the gross tonnage of the ship is five hundred tons or more, and

(ii) a valid Cargo Ship Safety Radio-telegraphy Certificate, where the gross tonnage of the ship is sixteen hundred tons or more, or a valid Cargo Ship Safety Radio-telegraphy Certificate or a valid Cargo Ship Safety Radiotelephony Certificate, where the gross tonnage of the ship is less than sixteen hundred tons, and any valid exemption certificate that has been issued in respect of the ship."

Mr. LANIEL: I second the motion.

The CHAIRMAN: Mr. Macaluso has moved, seconded by Mr. Laniel, that Bill S-7, an act to amend the Canada Shipping Act, be amended as set out in the two amendments submitted by the officials of the department.

Is there any discussion of these amendments?

Mr. BARNETT: It seems to me that the numbering of these clauses, as I understand, is contingent on the renumbering of another set of proposed amendments. I am wondering whether we are going to get ourselves in a technical snarl if we pass this set with the consequent renumbering before we have dealt with the other matter.

Mr. ROCK: Clause 16 is changed to clause 19, and we are wondering why.



Mr. MACGILLIVRAY: If the three new clauses relating to the flag are in, then these would be renumbered.

Mr. BARNETT: Could we not leave out this renumbering business and deal with it by a separate motion later on in our proceedings in order to tidy up the numbering of the clauses?

Mr. MACALUSO: Yes, of course. This should be left in, clause 7 in the first amendment and clause 16 in the next amendment, and when the proposed amendments on the national flag are dealt with, someone can bring a motion to renumber clauses 7 and 16.

The CHAIRMAN: Is it understood that we will eliminate the renumbering at the present time and approve the amendments subject to the proper numbering at a later time?

Motion agreed to.

Mr. WINCH: There is one question I would like to ask, and I think it is right to ask it at this time although it could be asked at some other time. Section 397 deals not only with the international convention, but it also deals, as I have pointed out, with Canadian ships on coastal waters because it makes reference to a ship which is a nuclear ship, et cetera, which is not outside coastal waters. Therefore, on the basis of the fact that a passenger or a cargo ship in coastal waters has to have an inspection and a certificate, I would like to ask if the deputy minister or any of his staff would give to this committee some explanation of the operation beyond the straight issuance of the inspection and certification because it has come to the notice of a number of the members of parliament from British Columbia that inspection is done at the dockside. What happens thereafter is not followed through; that is to say, what happens in the coastal waters. There is no inspection regarding the adherence of the ship to the safety and licence regulations. I can assure you, Mr. Chairman, that this is one of the most serious matters in the minds of the British Columbia coastal members. It has been brought to our attention time after time. Could we have some statement from the deputy minister or from other people on his staff on whether or not the certificate granted assures the safety of the boat when it gets to the coastal waters, at which time they are free to completely forget what they are supposed to do?

Mr. LANIEL: My question might be related to Mr. Winch's question. I would ask the deputy minister if, as far as the international convention is concerned, there are any penalties provided in the convention, besides certification, or any fines. As Mr. Winch said, what happens after the certificate has been obtained? Is there a penalty section?

Mr. WINCH: There is a penalty section, but the point is what policing is being done after the licensing and inspection at the dockside? In British Columbia our evidence is that there is no policing being done.

Mr. ALAN CUMYN (*Director, Marine Regulations Branch*): The whole philosophy of steamship inspection is that when a ship is constructed, it is constructed to approved plans. The steamship inspection service inspects the ship during construction to see that it is constructed in accordance with the approved plans. They see that it carries the proper safety equipment, as prescribed by the regulation. They see that it is manned in accordance with the requirements of the act, including the officers required and the efficiency and proficiency of the crew. Then, they issue a certificate to cover the operation of this ship on a given voyage. This certificate is in reality a certificate of seaworthiness, and may be issued in the case of boats under 150 tons for four years; in the case of boats over 150 tons for a period of one year, or lesser periods if, in the opinion of the inspector, the vessel is due for inspection before that time. The vessel then operates under the steamship inspection



certificate; that is to say before it can clear from the port it has to produce this inspection certificate before a collector of customs. The steamship inspection service does not police a vessel once it has been certificated unless it is brought to the attention of the steamship inspector that that vessel, for some reason or other, by virtue of undermanning or having sustained an accident, or by reason of entering on voyages for which it is not certificated, is proceeding contrary to its certificate.

Mr. WINCH: There has to be a report. You do not do the policing, do you?

Mr. CUMYN: No, sir. The steamship inspector is a technical officer whose function is to inspect a ship and issue a certificate of seaworthiness. Any policing is done by a collector of customs who detains the ship if the certificate becomes invalid for some reason or other. In addition to that, if a ship becomes unseaworthy and the matter is reported to the steamship inspector, he, of course, investigates the situation and withdraws the certificate if, in his opinion, the unseaworthiness is a fact.

Mr. WINCH: What do you do in your department under the Canada Shipping Act if a boat goes down and it is reported that it was overloaded? Does that come under your department?

Mr. CUMYN: There is a marine investigation service to ascertain the cause of the casualty.

Mr. WINCH: But it is too late by then; the boat has gone down.

Mr. CUMYN: The inspection of ships provides a reasonable margin of safety. We do not say, and it would be impossible for us to guarantee, that once a ship has been certificated it is not going to sink. There are a lot of other factors which enter into the situation besides the certification. It depends on the way the ship is maintained and the ability of the master to look after the ship.

Mr. WINCH: That is the point I am coming to, the way it is maintained and used after it has left dockside. Under the shipping act, unless something happens, you have no responsibility after it leaves dockside.

Mr. CUMYN: That is correct.

Mr. LANIEL: On the same subject, Mr. Chairman, if you look at section 454 of the act, this deals with the case which has nothing to do with the safety and certification of the ship. It is a matter of the control of responsibility of the master of the ship as far as gales and floating ice in the sea are concerned, and the reports that have to be made. Are these followed up? Under section 454 the master of any Canadian ship on meeting with dangerous ice, and so on, should make a report as prescribed by the regulation.

Mr. BALDWIN: The purpose of this regulation is to ensure that we receive the information so that it can be put into the hands of the meteorological branch.

Mr. LANIEL: How can you control that; is there any policing in that field?

Mr. BALDWIN: Very little. This is something that is not easy to police.

Mr. WINCH: How do you do the policing? I have in mind two incidents off the British Columbia coast. Of course, a master is in command, but if his company tells him to put on certain things which causes overloading—and he has to do what he is told—then under the law he is the responsible person.

Mr. BALDWIN: If this is brought to our attention, there is an investigation at once. Perhaps I might make a general statement on this, because this is a problem which occurs not only in shipping alone but also in respect of commercial aviation and under provincial jurisdiction over roads, trucks and automobiles. There is the question of how you are going to police apart from periodic checks of standards. Basically this is something which, for instance, the aircraft operators have put up to us—Mr. So and So out in the bush is breaking the law; why do you not do something about it? We do something about it.

Whenever a matter is brought to our attention we do investigate it. However, in order to have policing in respect of every vehicle moving, through the water, in the air or on the land, it would involve huge utilization of the facilities of the civil service and equipment. Therefore, we have to rely on periodic checks on established standards and investigation wherever a problem is brought to our attention. In other words, we have to place some responsibility on the people who are moving around and who see something wrong to bring it to our attention so that we can go after it.

Mr. FOY: Referring to the automobile analogy, just because somebody has a licence to drive a car it does not guarantee that he will not have an accident.

Mr. BALDWIN: This is true.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There is a periodic inspection of automobile traffic and no one suggests that every vehicle should be stopped every day and every driver be asked for his licence; but, every driver knows he may be stopped sometime and asked for his licence. Undoubtedly this has an effect on his driving.

Mr. BALDWIN: There are periodic checks of ships as well.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I have not heard of any case in which there has been a spot check on overloading of towboats in British Columbia. You have cases like that of the *Swifter II* which capsized on the Fraser river. This was the fourth time this vessel capsized and one man drowned.

Mr. CUMYN: Was this vessel under 150 gross tons?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes.

Mr. CUMYN: Under the Canada Shipping Act we do not inspect vessels under 150 gross tons.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is it not about time that you did something about this? I have a whole list here.

Mr. COWAN: Mr. Winch was talking about a boat being overloaded after leaving the dock. What about the Plimsoll line? The crew can tell whether a boat has been overloaded from the Plimsoll line, can they not?

Mr. CUMYN: The regulations require a Plimsoll to be assigned to any vessel over 150 gross tons.

Mr. COWAN: So you can drown in a vessel under 150 tons.

Mr. McNULTY: Does the department feel that it has a sufficient number of qualified inspectors to make sure that all ships are inspected prior to or on the termination of their certification?

Mr. BALDWIN: There has been a shortage of personnel in this general field. It always has been extremely difficult to recruit. We have tried training schemes in an effort to develop personnel for this work.

Mr. McNULTY: Is this quite serious? Do many ships go long past their time?

Mr. BALDWIN: No. We do not allow the law to be bent, but we are not overly largely staffed. We are working a little understaffed.

Mr. LLOYD: What is the period for which a certificate of seaworthiness is valid? Can you give us an illustration?

Mr. CUMYN: In the case of a ship of over 150 gross tons, the certificate is valid for one year.

Mr. LLOYD: You mentioned staff. Certainly if it is valid for only one year, then a ship cannot sail without having its certificate of seaworthiness. You mentioned that sometimes you have a shortage of staff and are not able to carry out certain inspections or certain routines. Does this affect issuance of



the certificates? Are you always able to meet the time factor with regard to issuance of certificates of inspection?

Mr. CUMYN: Yes.

Mr. LLOYD: They must obtain a new certificate each year?

Mr. CUMYN: Definitely.

Mr. WINCH: I believe there may be evidence given by those in the trade later and I will not continue on with this except to say that I am most intrigued and interested, coming from the city of Vancouver where I have lived all my life except for three years, that there have been serious accidents or sinkings in the past two or three years of boats which have been licensed, declared seaworthy and which have a certificate, but which, because of actions which take place after they leave the dockside sink and there is a loss of life. To me this is a rather interesting matter. We may have some specific evidence on that either this afternoon or tomorrow morning.

Mr. CROUSE: For vessels under 150 tons is the inspection once a year?

Mr. CUMYN: Four years, except for passenger ships.

Mr. CROUSE: I would submit, in support of the statements that have been made by the officials of the department, that the captains of ships concerned certainly have an obligation to see that their ship is seaworthy.

Mr. WINCH: And in British Columbia they will be fired unless they do what the operator tells them to do.

Mr. CROUSE: In respect of a steamship being inspected, you are dealing with salt water, and a pump could be passed by a steamship inspector today and yet be found to be leaking when it is only 25 or 30 miles from shore. I feel the remarks made by our British Columbia members to be rather strange, because on the east coast at least the captains who are placed in command of a ship realize that it is not only the property that is at stake but their very lives also, unless they carry out a very careful survey of all equipment on the ship.

I would not like to see regulations drafted which would be too confining or costly to taxpayers of the country. If we were to have an annual inspection of this nature, it would be costly and in the final analysis may not solve the problem.

Mr. MACALUSO: I would like to make a comment in respect of the remarks of Mr. Winch and Mr. Cameron. I am thinking about this problem of inspection after leaving the dockside. Does that fit into any of the clauses, 6 to 27, which we are discussing now, or is this another matter?

Mr. BALDWIN: This is not a question which is involved in the proposals here.

Mr. HAHN: The suggestion has been raised that it might be helpful to have periodic and unannounced spot checks to see that our regulations are being carried out between certification inspections. Is this feasible? In other words, can one roaming inspector check about one half of the dockside?

Mr. CUMYN: You would need more than one to make it effective. I doubt whether this would improve matters because in a way it would relieve the master, at least in his own mind, of his own specific responsibility to see to it that once his ship has been properly built and fitted out it is maintained in that condition.

Mr. HAHN: In the opinion of the department is there a serious problem here or is there a serious loss because people knowingly and willingly take ships to sea in violation of our regulations?

Mr. CUMYN: No sir; we do not feel that the incidence of loss is unacceptable.



Mr. WINCH: You have had three on the British Columbia coast and two on the east coast in the last three months.

Mr. CUMYN: These are vessels under 150 gross tons. We have in mind considering some measure of inspection on them. This, of course, will need a change in the legislation.

Mr. HAHN: Are you thinking of commercial boats under 150 gross tons?

Mr. CUMYN: Yes; but here we must be careful not to make the inspection too comprehensive. Otherwise, we would need a tremendous hoard of inspectors to carry it out. In all this inspection business there is a limit to what one can do.

The CHAIRMAN: I think we have strayed away from the subject.

Mr. MACALUSO: I would like to suggest that we carry clauses 6 to 27 inclusive.

Mr. ROCK: I second the motion.

Mr. BARNETT: May I ask one question for information? I see under the definition section of the act, which is not before us, actually, that the definition of a ship is given, and I think this is related to the whole field. It includes every description of lighter, barge or like vessel used in navigation in Canada however propelled. While we are on this topic, I would like to know whether that wording "however propelled" includes ships that are not self-propelled in the sense of one being towed by another ship.

Mr. MACGILLIVRAY: The whole of the definition in paragraph (98) of section 2 of the act needs to be read:

"ship" includes every description of vessel used in navigation not propelled by oars;

That means that within the meaning of the act the towboat is a ship subject to all the provisions which apply to ships. Then, regarding recording, registering and licensing in part I, the liability is applicable to everything self-propelled or non-self-propelled, such as barges. Barges and so on are ships unless they are propelled by oars.

Mr. BARNETT: Mr. Chairman, I think the point of my question must be evident in view of the increasing use of a very large number of self-propelled barges, or whatever they may be called, at least on the western coast of Canada.

Mr. MACGILLIGRAY: They are ships and are treated as ships in Canada.

Mr. BARNETT: And the definition of a cargo ship comes within the general definition of a ship?

Mr. MACGILLIVRAY: Yes.

The CHAIRMAN: Shall clauses 6 to 27 carry?

Mr. WINCH: May I ask Mr. Baldwin or a member of his technical staff on what basis a Canadian safety convention ship, either passenger or cargo, of 1,600 tons or more could be exempt from the radiotelephone or radiotelegraph requirements and not have a qualified operator? Here you have a 1,600 ton passenger cargo ship under the Canadian safety convention regulations whereby it can be exempt from radiotelephone or radiotelegraph, or a qualified operator. There must be some reason, but it strikes me as odd and I would like to know just what could be the reason for that exemption.

Mr. A. G. E. ARGUE (*Radio Regulations Division, Department of Transport*): The minister or the governor in council may exempt a ship on coastal waters from the radiotelegraph requirement provided it is fitted with a satisfactory radiotelephone installation. This has been done in several cases on the west coast.

Mr. WINCH: You cannot exempt them from both.

Mr. ARGUE: No; only the radiotelegraph. They cannot be exempt from having a radiotelephone, only a radiotelegraph. The radiotelephone is a much more malleable instrument and when ships are engaged in a short voyage there is no need to have a radiotelegraph as well. There still are situations in which the long range radiotelegraph must remain in effect.

Mr. WINCH: Is this in the inside passage?

Mr. ARGUE: It would depend on the voyage. This has to be judged in respect of the individual voyage schedule of the vessel in question. For instance, you do not need a radiotelegraph between Vancouver and Victoria.

The CHAIRMAN: Shall clauses 6 to 26 inclusive carry, including the amendment to clause 16?

Agreed to.

The CHAIRMAN: I think we could proceed with the question on oil pollution on clause 28?

Mr. MACAULSO: We have another amendment which fits into the first part of the act. It is an amendment to clause 1. Do you want to deal with that? We renumbered the clauses from 6 to 27.

The CHAIRMAN: We are proceeding at the present time with clauses which are technical and which relate to the international convention. We want to get rid of them first. We are now on clause 28.

On clause 28.

Mr. BALDWIN: This is the only clause which deals with oil pollution. The international convention of 1954 dealt with the prevention of the pollution of the sea by oil. That is one of the international agreements that I mentioned earlier. Its purpose is to limit oil discharge into the sea by ships in coastal waters, and to prevent it. The maritime provinces and Newfoundland have suffered quite a bit because of it. Broadly speaking the purpose is accomplished under the international convention by designating the zone or areas into which the ships may not discharge their tank washings. So this is extended 50 miles to sea from the coast of Canada. A little over two years ago at a conference in London the terms of the existing international convention were brought forward. This included a considerable extension of the prohibited areas. In the case of Canada it is up to 100 miles from land instead of the previous 50. And there have been some other minor changes including the reduction in the minimum size of the vessels, from the present 500 tons to 150 tons, with the requirement that tankers to be built in future which have a capacity of 20,000 tons should have special tanks built in to retain the washings. These changes are all designed to make the convention more effective as a result of experience gained since 1954, and the legislation is designed to implement these changes.

There is also a proposed increase in the penalty for violation of the oil pollution regulations by making this more commensurate with the seriousness of the offence and to bring the penalty more in line with those of other nations, having in mind that in Great Britain it was up to £1,000 and in the United States up to \$5,000. It has been felt that the present provision of \$500 may tempt some ship masters to discharge oil in the knowledge that detection of the offence might prove to be difficult, and that it would be cheaper to do so than to retain the oil on board and to discharge it into shore facilities. Basically we have tried to improve our control features by making the movement 100 miles from the coast.

Mr. LLOYD: It is such an obvious improvement to me.

Mr. WINCH: Since I come from British Columbia I am tickled to death to see in here this increase from \$500 to \$5,000, and this provision for imprisonment to not exceeding six months. Might I ask who would be the one imprisoned?

Would it be the engineer, the captain, or who? Would it be the owner of the vessel?

Mr. MACGILLIVRAY: The owner of the vessel is probably a corporation. The person we have normally charged for this is the master or the chief engineer. They are the people who have been fined up to now. If imprisonment were to be ordered, these would be the people imprisoned—I mean, one of them, but not both in one ship. It would be one or the other.

Mr. CROUSE: I find that an interesting observation because to my knowledge the actual command of all ships is under the direction and control of the master, and I find it strange that you would imply that the chief engineer would be more involved, because normally he would only be acting under orders from his captain.

Mr. MACGILLIVRAY: Not in pumping his tank, but the master has a defence under the regulations if he can prove that the offence took place without or against his orders.

Mr. McNULTY: Are these regulations the same for inland waters, such as the great lakes, as well as for coastal waters?

Mr. MACGILLIVRAY: Yes, they are.

The CHAIRMAN: Shall clause 28 carry?

Mr. WINCH: Mr. Baldwin and his staff no doubt know about the serious situation in British Columbia where an oil barge sank, and where it will cost perhaps \$100,000 before the matter is through, and it may be years before our beaches are clear. What is the situation in a case like that?

Mr. BALDWIN: In this particular instance, because no one was doing anything about it, we in the department in conjunction with the Department of Public Works felt that we should intervene and try to remedy the situation, even though the cost may fall upon the taxpayer. We did try to use some very ingenious engineering techniques to try to raise it.

Mr. WINCH: The cost would fall on the federal government and not on the company concerned.

Mr. MACGILLIVRAY: As the law stands it does not fall on the owner of the ship or the person who caused it, except if it is in shallow enough water where it is an impediment to navigation, whereupon the Navigable Waters Protection Act would apply and you could go after the owner.

Mr. BARNETT: As I recall, being a member of a committee which considered the amendment to the act that adopted the original oil pollution convention, we had a considerable discussion at that time about having our Canadian regulations for internal waters parallel in many respects the provisions of the convention. As I understand it, this proposed amendment under clause 28 applies only to the international convention, the matter of raising the fine and so on. What action if any is involved in any amendment to the control of oil pollution?

Mr. BALDWIN: The chairman of the steamship inspection board tells me that our own domestic regulations are more stringent than the international regulations.

Mr. BARNETT: This in effect is progressive nationally. What is the maximum fine now?

Mr. MACGILLIVRAY: It is \$500, whether it occurs on the high seas or internal waters.

Mr. WINCH: Are you changing the internal fine to \$5,000.

Mr. MACGILLIVRAY: The \$5,000 fine will apply to any oil pollution anywhere.



Mr. WINCH: This is covered by this clause?

Mr. MACGILLIVRAY: Yes.

The CHAIRMAN: Shall clause 28 carry?

Clause agreed to.

Now, the next group has to do with cabotage. We are now on clause 35.

On clause 35—*Canadian ships only may engage in coasting trade on the great lakes and river St. Lawrence.*

Mr. BALDWIN: The purpose of this clause is to provide that upon a date to be fixed by the governor in council and by proclamation any coastal shipping within the great lakes or on the St. Lawrence river or from Cap des Rosiers to West Point, Anticosti island, shall be reserved for vessels of Canadian registry. The background of the situation is that before the construction of the St. Lawrence Seaway the great lakes were in effect an area which through physical conditions were pretty well reserved to Canadian shipping. However by long standing local arrangements under the commonwealth merchant shipping agreement in respect of trading with Canada as well as to other purposes of that agreement, it has been open to vessels of British registry, not just limited to those of Canadian registry.

Following the opening of the seaway it became possible for much larger vessels to move into the great lakes area. The reason this particular problem came to the fore some years ago was the fact that on the opening of the St. Lawrence Seaway and the development of much larger vessels there was quite a lot of old vessels of smaller size which were thrown up in the mothball fleet.

The Canada Shipping Act provides that no ship can be given Canadian registry if it has been built outside of Canada. Any ship built in Canada would be entitled to Canadian registry, but no ship can be given Canadian registry if it was built outside of Canada unless the Minister of Transport gives special permission. As a matter of long standing policy which has continued over the last 15 years, every time the minister has been called upon to consider the matter his discretion has been exercised in a manner which allows reasonably new ships of foreign construction to be given Canadian registry, but it has prevented old ships from being given Canadian registry except under specific circumstances where there would be an obvious measure of benefit resulting therefrom.

The ministerial policy was that a five year old ship would automatically be given Canadian registry, but if it was 10 years old, the minister would take a more careful look at the matter, and if it were over 10 years old he would say no, except under special circumstances. The purpose behind all this was to prevent the Canadian registry from becoming a haven for old and obsolete ships 25 to 40 years old, or from becoming a refuge for 40 year old vessels.

In the situation I describe following the construction of the St. Lawrence Seaway we suddenly found that a number of persons or groups were starting to make use of the British registry which, as I said, is entitled to engage in Canadian coastal trade, primarily with Bermudian or West Indian as the main registry. These were old vessels frequently, such as old United States lakers which could not have been put on Canadian registry under the policy I have just described, but by using British registry they could get these old ships on Canadian registry and thus engage in great lakes and St. Lawrence coasting trade.

We felt this was in effect defeating the purpose of the basic policy regarding the use of Canadian registry which I have mentioned, and we took this to the British government at the time and discussed it with them. They indi-

cated that under their legislation there was absolutely no hope of dealing with this, because it was their basic policy applicable also to Bermuda and the West Indies that if anybody asked for British registry regardless of who he was, he got it.

The government then said we can only achieve this by amending the act, and since these ships are going under Bermudian registry and are old ships, we have also revised the Canadian registry to restrict the trade to Canadian registered vessels only. But to do this we had to obtain the concurrence of the other parties to the commonwealth merchant shipping agreement. So we approached the issue through diplomatic channels, in Britain, Australia, New Zealand, and so on, and asked for their concurrence in amending the international agreement, and the legislation here is now designed to give effect to this amendment to the commonwealth merchant shipping agreement to which the other parties have agreed.

I should add perhaps that we do not believe that this will create any harm to trade, or to British interests, because this problem was created for us by Canadian shipping interests starting in this tenuous scheme of using Bermudian or West Indian registry for these old ships.

Mr. HAHN: I have two questions. First of all, are only Canadian ships allowed to trade between Canadian ports along the great lakes and the St. Lawrence Seaway?

Mr. MACGILLIVRAY: No. This legislation would affect at the present time any British registry ship, and it may do this.

Mr. HAHN: What about foreign ships not British or Canadian?

Mr. MACGILLIVRAY: No, they may not.

Mr. HAHN: Suppose an American ship carries a cargo to the head of the lakes. Can they drop off cargo at Toronto or Hamilton on the way down?

Mr. MACGILLIVRAY: No.

Mr. HAHN: Why is this?

Mr. MACGILLIVRAY: In the same way that this rule applies to foreign air lines, which may not carry a passenger between Toronto and Ottawa, for example.

Mr. HAHN: You mentioned that the specific purpose of this was to prevent circumvention of the law by allowing old ships in effect to be given the status of Canadian registry. Why would this be detrimental if the ship could compete efficiently. Why do we prevent this?

Mr. BALDWIN: I think there is a combination of interest involved. First of all, we would never have a modern fleet built up if this type of development took place; and in addition, you have the problem of the role of our own Canadian shipping industry. Every time an old ship comes in, we thereby restrict the possibility of a new ship being built in Canada.

Mr. HAHN: Do you know if these old ships are able substantially to undercut overseas shipping and transportation costs?

Mr. BALDWIN: This would vary from trade to trade in my opinion, because some of the new built ships are highly automated and extremely efficient. But some of the older and heavier bulk trade, with little or more depreciation, can compete, and can cut their rates down lower.

Mr. TUCKER: What is the age limit of ships which can receive Canadian registry before being referred to the Minister of Transport?

Mr. BALDWIN: All cases have to be referred to the Minister of Transport. There is no statutory requirement or regulation governing them. This has been a policy matter within the jurisdiction of the government and the minister ever since I can remember. The standard period has been roughly five years.



Mr. TUCKER: And over a five year period you would take a sharper look at it?

Mr. BALDWIN: We would start to look at it more carefully; and when it comes to the 40 year old ones, we would not be too happy about it.

Mr. TUCKER: What about those of from 10 to 20 years?

Mr. BALDWIN: Well, these have been accepted normally, and our officials who advise the minister have tried to look at particular circumstances to see whether they are of benefit to a particular trade or industry and not detrimental to other aspects of Canadian shipping or shipbuilding. In cases where older ships have been allowed to have Canadian registry, regard has been had to developments in the Atlantic provinces.

Mr. TUCKER: Suppose a ship were in good condition. Would it be looked upon by the minister as favourable?

Mr. BALDWIN: That is why the restriction was limited to the great lakes, because we recognized that in other areas there are cases where British registry vessels are performing a very important domestic service, and the great lakes have always been regarded as pretty much of a Canadian preserve.

Mr. CROUSE: I wonder if for the benefit of the committee the deputy minister of transport could give us a little better idea of the countries and groups which would be basically affected by this legislation, and the groups which would benefit from it?

Mr. BALDWIN: I do not think that any other country would be affected in a major fashion by this legislation because, as I have said, ships which have moved on to Bermudian registry or to West Indian registry were engaging in great lakes trade for instance, and were refused Canadian registry, yet in many cases they were owned by Canadian corporations. But as far as benefits are concerned, I do not think I can say much more than I did in my attempt to answer Mr. Hahn a few minutes ago.

Mr. WINCH: May I ask a question about the other side of the picture? What is the position under this if foreign countries who have very definitely incorporated Canadian companies cease to build ships in Canada to take advantage of the 35 per cent subsidy and are removed outside of the Canadian registry? What is your position there?

Mr. BALDWIN: I am not quite sure that I follow this, sir. The foreign company having built a ship in Canada places it on Canadian registry. That is your point?

Mr. WINCH: I know that since this shipbuilding subsidy came in, companies outside Canada have taken advantage of it by incorporating in Canada so as to be able to build in Canada and have the benefit of the 35 per cent federal government subsidy. My understanding is that after a certain length of time they can move them to foreign registry.

Mr. MACGILLIVRAY: This is done by the maritime commission, not the department. I speak from general knowledge but my recollection is that they are required to maintain their Canadian registry for a specified period of time.

Mr. McNULTY: Could I move that clause 35 be adopted?

Mr. MACALUSO: I second it.

Mr. ROCK: Are you trying to eliminate ships in Canada which are over 20 or 25 years old? Is this the intention of your department?

Mr. MACGILLIVRAY: Not so much to eliminate as to prevent the rapid increase that we were afraid was taking place. I may also have said that even with regard to newer ships. This is a point I should have made earlier perhaps. We were facing with a situation whereby Canadian operators said to us, "If you



let this go on, we will have no choice but to take some of our newer Canadian registry vessels and put them under West Indian or Bermuda registry”.

Mr. MACALUSO: It only deteriorates shipping more than it is now.

Mr. WINCH: In the view of some it is not such a good idea for them to accept Liberian registry.

Mr. ROCK: There is no intention in your department to get rid of ships which have always operated in Canadian waters which are over 25 or 30 years old?

Mr. MACGILLIVRAY: Not if they are safe.

Mr. MACALUSO: Mr. Chairman, I second the motion.

The CHAIRMAN: Motion agreed to.

Mr. MACGILLIVRAY: We now come to clauses 2 and 30 regarding small boats. I went into this at some length in my introductory remarks and I do not know what further details would be needed at this stage. Basically, the purpose of clause 2 is to make it possible for us, in dealing with the licensing of small pleasure boats, to make arrangements for some other agency, party or group, to engage in this licensing function on our behalf if arrangements can be worked out for this. Hitherto, this licensing function has been carried out by the national revenue customs officers, but it is now becoming quite a burden to them. As I indicated at the outset, basically we feel that while there is a great public demand for increasing regulations in the pleasure boat field, this is spotty and varies a great deal from point to point. The circumstances in the western end of lake Ontario, for example, would be quite different from the circumstances in the bay of Fundy or on the east coast of Newfoundland, or on lake Winnipeg.

Therefore, our whole objective in both these clauses is to put ourselves in the position where we have the necessary statutory authority, since this is a federal responsibility, not only to regulate but also to use agents in regulation, the concept being that then the provinces, in their knowledge of the municipal position, would act, if they so desired, in any given instance, based on the powers that we could pass on to them under the Canada Shipping Act.

Clause 2 deals primarily with the licensing function, while clause 30 deals with the restrictions on certain waters. You might have a situation in which a given municipality says they would like to have only outboards up to 20 horsepower operate on these waters because it is too dangerous to have others. Our whole objective is to co-operate with the provinces. We have met with them on several occasions. Quite frankly we have found that their attitude varies a great deal; some are anxious to co-operate with us, others are a little reluctant to move on this, but there are at least some who feel they would like to be in a position to advise us on how these powers could be used on a local basis. If this legislation is passed, we would then be proceeding with some further provincial discussion to try and carry the matter a little further.

Mr. MACALUSO: I am very pleased to see these amendments to the shipping act as they appear in clauses 2 and 30 because, as Mr. Baldwin stated, these licensing regulations of small pleasure craft are long, long overdue. I know that in my own area they are going to cry out for more regulations and more licensing of small pleasure craft because in the years to come I think more and more people, as they become more affluent, will purchase small pleasure craft.

The thing I was a little concerned with, as to regards to discussions that have been carried out with the provinces, has already been answered by Mr. Baldwin.

However, there is this matter of the licensing agency. Would the province concerned set up a licensing agency or would the municipality or county set up this agency? What do you have in mind as regards this separate licensing agency?

Mr. BALDWIN: I can speak in terms of our objectives, not what might actually happen. We feel it would be unwise for us to attempt to deal directly with the individual municipalities, that in so far as the position of a given municipal area is concerned we should work through the province. Whether a province, in any such case, felt it was willing to take on a licensing function or not, or whether it wanted to have it done at the municipal level, would be for the province to determine. We have not seen any great enthusiasm in the licensing area at the provincial level. We ourselves have some feeling that if there should be such a desire at the provincial level, they have already a ready made mechanism in the automobile licensing field which is much better for this purpose than our national revenue customs service.

Mr. MACALUSO: I am very happy to see the department has a national policy as far as licensing and regulations are concerned. This puts an onus on the province to do something about it. I would be prepared to move the adoption of clauses 2 and 30.

Mr. ROCK: Before that happens I should like to say that I am not too happy about this since we have those opting out agreements. This is strictly a federal matter. Before adopting those clauses I would like to know specifically what their intention is. It is very difficult, when you have areas such as lake St. Louis and the great lakes where licensing right now is done by the federal government, to see it being given either to the provinces or to the municipalities in that area. These pleasure craft travel from province to province, therefore this should be strictly a federal matter, and the agencies should be under the federal jurisdiction and they should stay under this federal jurisdiction, especially in view of these opting out agreements. In spite of the fact there is a trend for the federal government to keep its jurisdiction in federal matters we now try to find ways and means of transferring this responsibility to the municipal and provincial authorities. I think this should stay in the federal hands.

Mr. HAHN: I disagree with Mr. Rock's comments. There are areas such as Muskoka lake and lake Ontario used by a lot of boats, and those stay in one province. Certainly, I could give you the example of the issuing of hunting licences in the province of Ontario which is the provincial responsibility and yet every corner gas station has been given the authority from the provincial government to issue these licences. I see no reason at all why the existing provincial or municipal authority cannot take over this job on behalf of the federal government.

Mr. FOY: Those would be federal licences.

Mr. LLOYD: In the case of the city of Halifax, the city has actually complete control over the operations of small aircraft as far as safety is concerned. Therefore, there is already an operating agency in the case of the city of Halifax. I can visualize the kind of legal position in which you are regarding the offering of co-operative advantages both to the municipality and the federal government without any giving away of federal authority. They will be acting as an agency for you.

Mr. LANIEL: Mr. Chairman, the point brought up by Mr. Rock has some validity as far as pleasure boats that would travel from one corner to another are concerned.

Mr. FOY: This is a federal licence.

Mr. ROCK: We were not told these things. I am only thinking of the licensing part of it. I am not thinking of the other regulations concerning speed, power, and so on. I am thinking strictly of licensing and the power to license. My thinking is that this should stay in the federal hands.

Mr. LANIEL: I do not agree with the latter part of Mr. Rock's statement. I think that if a small municipality becomes an agent of the provincial govern-



ment in issuing licences, their authority should be limited to the area of the municipality. I think there should be a provision, in the case of a cruiser, for example, which wanted to travel from lake St. Louis to lake Ontario, which would take care of some kind of a process for obtaining the licence directly from the federal government.

Mr. MACGILLIVRAY: I think the answer is that because the statutory authority is the federal authority, the basic legal authority will be vested at the federal level and we would be then in a position to prevent a parochial approach to licensing which would prevent the licensing of a cruiser going from lake Ontario to lake St. Louis.

Mr. LANIEL: The only thing you would permit is for the municipalities or provinces to restrict their regulations rather than to extend them in comparison to the standard of the federal government regulations.

The CHAIRMAN: Are clauses 2 and 30 agreed to?

Clauses agreed to.

Mr. BARNETT: It does seem to me, in the light of the fact that our friend here seems to be exercised on this matter, it is clear, on reading this clause, that the authority for making regulations still rests with the governor in council. I might suggest that there is a long standing parallel to what I envisage might develop in that the federal government has had arrangements in regard to the jurisdiction over inland fisheries for many years. However, as I have noted, in every case any proposed regulations have to be validated by a federal order in council. I would like the deputy minister to make it quite clear that that would be the kind of practice that might develop in connection with licensing. My parallel is to the federal governor in council passing regulations in respect of inland fisheries.

Mr. MACGILLIVRAY: Yes, in the way the provinces would like them to be passed, but still on a national basis of approach which would prevent any unfairness in the treatment of individual provinces.

Mr. BARNETT: I have one related question. In his introductory remarks the deputy minister made reference to the fact that a number of years ago there was a lengthy discussion which took place after which authority was granted for the issuing of licences to operators of small boats. I understand that this has been held in abeyance ever since. I am wondering whether the department may have in mind that if this proposed change is implemented in respect of the licensing of boats through agents it might result in a feasible method of issuing operators' licences.

Mr. MACGILLIVRAY: The answer is yes, this is part of the same pattern. We have come to the conclusion it would be a very difficult task to establish a federal machinery for the licensing of small boat operators, but basically this could be done through provincial or local authorities if the need arises.

Mr. MACALUSO: You will have further discussions with the provinces?

Mr. MACGILLIVRAY: Yes. For example, British Columbia has been one of the provinces which was very interested in this.

Mr. CROUSE: I must confess at this stage in our discussions I am personally a bit confused having listened to Mr. Rock's presentation. I read in the act that you are going to prescribe that records be kept and returns be made by licence issuers. Is it still the intention of the Department of National Revenue, which governs the customs officers, to issue these licences? Is this your plan under this act?

Mr. MACGILLIVRAY: The present system of licensing of small boats—not of operators—by customs officers will continue unless and until something new develops as a result of the discussions with the provinces, in which case it might be varied.



Mr. CROUSE: Then at the moment it is still the intention of this act to have the licences granted only by the customs officers?

Mr. MACGILLIVRAY: That is right.

Mr. CROUSE: Supplementary to that then, you are planning to carry on negotiations with the provinces relative to each one taking over the licensing and the policing?

Mr. MACGILLIVRAY: The policing is now taken care of, in part, in the sense that any police officer, whether he is at the municipal, provincial or federal level, has a responsibility in this regard, and any municipal police force can undertake that responsibility. As Mr. Macaluso indicated, the harbours commission is doing it in Hamilton. This would not change. This would give us a complete jurisdiction over the licensing of operators, boat licensing and the restriction of the use of boats in limited waters, in the sense that we have it now. In another sense, this would be done through an agency. We lack the power now for this agency relationship. If we get that, we would then propose to discuss this with the provinces, but nothing can be forced down their throats. Where they see a need exists, we will be able to say to them, "Here we have the statutory authority, you may exercise it on our behalf subject to the approval of the general conditions."

Mr. Rock: Mr. Chairman, I wish to submit a few things so as to more or less wake up some of the members of this committee to the demands made by the public. First of all, there have been demands that the federal government should build marinas in many inland and coastal waters. There have also been demands by many owners of these pleasure craft that the federal government should look after the lakes and streams through which they pass and for which they are licensed by the federal government. The federal government has been asked to clear rocks, look after the level of certain waters for navigational purposes. I believe this is an indirect way for the Department of Transport to wash their hands of this local matter which is the concern of every owner of a pleasure craft. Once the municipal or provincial government takes over, then, when it comes to dealing with these matters, the federal government can say it has nothing more to do with clearing those areas of rocks or looking after the water level because this comes under provincial or municipal jurisdiction. This is what concerns me.

If you allow this licensing to be taken over by municipal or provincial authorities, the federal department will wash their hands of all those responsibilities. This is one of the real reasons behind those clauses, I submit. In the past two years this department and the Department of Public Works have received many demands to do these jobs. They have found ways and means of refusing, and once this is passed they will have a good reason to say no. I am against it.

Mr. MACALUSO: Mr. Rock may have a problem in this regard, but I think this is different altogether. Mr. Chairman, there is a motion.

Mr. HAHN: I just want to make absolutely certain that I understand the provision here. It is my understanding that the federal government will make the rules and regulations for licensing and that all we do by this legislation is to enable the federal government to have somebody else do the mechanical act of issuing a piece of paper and collecting the money.

Mr. BARNETT: Are we dealing with clauses 2 and 30 together?

The CHAIRMAN: That is right.

Mr. BARNETT: I would like to ask a question. I was waiting until we finished with clause 2. I assume clause 30 is an amplification of the power granted under the present subsection 4 of section 645. What I would like to know is whether, in the application of clause 30, the same question of advanced

co-operation in dealing entirely through provincial authorities is involved as in respect of the matter of licensing. Perhaps I could give you a specific example. One of the municipalities in my constituency, I know, is quite concerned that a certain regulation should be put into effect on the manner in which navigation and use of immediately adjacent waters is carried out by ships and aircraft.

I would like to be clear whether in that kind of a situation the municipality would have to deal with the provincial authorities or whether they could approach directly the federal government either through the minister or the local member in respect of having regulations set up for that particular body of water.

MR. BALDWIN: Well, sir, the particular clause to which you made reference, clause 30, if approved, would make it legally possible for the federal government to deal directly with this subject of restriction for a given bay or municipal area by approach from the municipality. If it wanted to, the federal government could do that. But, as a matter of policy, we feel before the federal government reaches any decision it should deal directly with the municipality since they are creatures of the province. I think we would be well advised to discuss it with the provincial government just to see whether or not they would be prepared to assume some responsibility as a channel for dealing with this municipality's request and for co-ordination purposes. I think the answer is we would still hope to work through the province but if, in a given case, there was an overpowering argument for doing something and the province did not want to co-operate the governor in council could deal with the situation directly.

MR. LLOYD: But, the essence of control lies in the fact that the municipalities are legal creatures of the provinces, but as any power flows from provincial authority you would have to work through the province, in any event.

MR. BARNETT: We are all aware that certain harbour areas are under the control of harbour commissions, which are empowered under their authority to make regulations and enforce them in respect of controlling the use of waters within their harbour area. But, I am referring now to seacoast waters. There are many other areas where no local harbour commission exists. In fact, I think I raised the question not long ago in respect of setting up smaller harbour commissions, and this may be one of the areas I had in mind. But, what I am getting at is this. Here is a situation, in effect, of putting in a control parallel to the kind of control exercised by the harbour commission by direct action of the Department of Transport; and other than the kind of normal representations a village commission might make about the need for a new post office building or something of that sort I do not see that the question of their being creatures of the provincial government is necessarily involved. I would like to make sure that we are not going to have to sit back and wait for a long series of pressures to be built up through provincial authorities before any action can be taken.

MR. BALDWIN: We propose to call a provincial meeting if or when this legislation is approved to discuss these various factors and obtain their reaction.

MR. LLOYD: The residual power to act lies with you.

MR. BALDWIN: Yes.

MR. ROCK: Mr. Chairman, I would like to move an amendment to the motion to the effect that this not be adopted until the Minister of Transport returns. I think I am entitled to do this because there are other programs that we have in mind and this will conflict with them. I want to ask the minister some questions, and I think I am entitled to do that.

THE CHAIRMAN: Mr. Macaluso has moved, seconded by Mr. Lloyd, that clauses 2 to 30 carry.

An amendment has been suggested by Mr. Rock.



Mr. ROCK: I asked that we not adopt this until the minister returns.

The CHAIRMAN: Have I a seconder for the motion?

Mr. CROUSE: I will second the motion.

The CHAIRMAN: It has been moved and seconded that these clauses be stood.

Mr. LANIEL: Mr. Chairman, I do not see how this can prevent us from adopting these clauses. Anyone would still be in a position to put questions.

Mr. ROCK: I want to put questions to the minister.

Mr. LANIEL: Mr. Chairman, I think these clauses could be adopted and questions could be put to the minister afterward.

Mr. ROCK: But, after you have adopted the clauses you cannot withdraw from the adoption of them. It may prove to be a very dangerous procedure. Once I have made my feelings known to you outside the committee you will realize what I am speaking about. There are other committees in which you are not taking part and you are not familiar with some of the problems involved.

Mr. WINCH: Mr. Chairman, a motion to lay on the table is not debatable.

The CHAIRMAN: Are you ready for the question? The question is on the amendment, that we stand clauses 2 and 30. All those in favour? Contrary, if any?

Motion agreed to.

Mr. WINCH: Mr. Chairman, could we adjourn until 2.30?

The CHAIRMAN: I would suggest that we sit a little later because I have no hope that the members will return this afternoon.

Mr. WINCH: I understand that a delegation is here all the way from Vancouver.

The CHAIRMAN: And, there is another delegation which has not arrived yet.

We will be sitting tomorrow morning at 9.30. It was my hope that we would sit until 1 o'clock today.

I have had considerable difficulty in this particular committee in getting the members to return for an afternoon session. We all realize that the orders of the day will not be over until possibly 4 or 4:30. They are discussing the labour bill this afternoon. I am sure it will be very difficult to get a quorum. As I say, I have experienced this trouble in the past.

Mr. COWAN: Did I hear Mr. Baldwin suggest that if this legislation passed they were going to hold a provincial conference after? I know he is not a cabinet minister. I just cannot understand their holding a provincial conference after the legislation passed. I thought they held it before and then told the members of parliament about it. I congratulate you, Mr. Baldwin.

Mr. MACALUSO: Mr. Chairman, on the last vote I was under the impression that it was six and six.

The CHAIRMAN: No, it was six and five.

Mr. MACALUSO: I do not think that Mr. Foy was counted.

Mr. ROCK: Some did not vote.

Mr. BARNETT: Mr. Chairman, I think it is the normal right of any member to address policy questions to the minister.

Mr. MACALUSO: I guess I was confused.

Mr. WINCH: Mr. Chairman, if I read my notes correctly, the only other single matter which could be discussed without hearing from the delegations is liability in law. Safety standards in respect of fishing vessels have to wait until the delegation arrives.



Mr. BALDWIN: I was not aware that there were delegations in respect of fishing vessels. But, Mr. Chairman, I think we would be in a position to go ahead with clause 29 and the remainder of the clauses from 31 to the conclusion of the bill, if you so desire.

Mr. WINCH: Are you referring to these as the minor housekeeping items?

Mr. BALDWIN: Well, the liability clauses are fairly important, though very involved.

Mr. WINCH: Mr. Chairman, I have another appointment. I did not anticipate we would go beyond 12.30.

The CHAIRMAN: Well, I am in the hands of the committee, but I think it would be helpless to sit this afternoon.

Mr. ROCK: Mr. Chairman, we have not very much time left for lunch hour. There are certain duties and business we have to attend to before 2.30, and we have to have our lunch.

The CHAIRMAN: That would mean we would be unable to sit until 9.30 tomorrow morning.

Mr. ROCK: Why do you say that?

The CHAIRMAN: I have just said it.

Mr. WINCH: Do you mean that we will be unable to get 12 members at 3.30?

The CHAIRMAN: Orders of the day will not be finished then.

Mr. ROCK: Why not? There are no more filibusters.

Mr. FOY: Mr. Chairman, may I suggest that we try to obtain a quorum.

Mr. ROCK: I suggest we adjourn until 3.30.

Mr. LLOYD: Mr. Chairman, why do we not sit until 12.30. There are still five minutes left.

Mr. WINCH: We are starting a new subject, which Mr. Baldwin says is very complicated.

Mr. MACALUSO: Mr. Chairman, may I suggest we reconvene at 3.45.

Mr. WINCH: If delegates are here from as far away as Vancouver and we cannot get 12 members out of 60 for a quorum this afternoon something is wrong with the members of the house.

The CHAIRMAN: It seems to be the wish of the committee that we meet this afternoon. We will meet at 4 o'clock.

Mr. WINCH: Mr. Chairman, I move we adjourn until 4 o'clock this afternoon.

Mr. MACALUSO: If there are delegations we should be here.

Mr. WINCH: The delegation arrived yesterday and they have been sitting waiting for us to proceed.

#### AFTERNOON SITTING

The CHAIRMAN: Mrs. Rideout and gentlemen, I would ask Mr. Baldwin to indicate what group of clauses we might take up this afternoon. I might say that it is the intention to hold clause 4 until tomorrow. I already have spoken to interested parties who are agreeable to this procedure. We would also hold clauses 2 and 30, and then take up the proposed amendment of the minister on the flag. We might take up another group of clauses now, and I would ask Mr. Baldwin to take over.

Mr. BALDWIN: If it is suitable to the members of the committee, I would suggest that we take up clause 29 which is a clarification section. If it is your wish, I would ask Mr. MacGillivray to explain that.

Mr. MACGILLIVRAY: The purpose of this clause is to revoke sections 608, 609 and 610, and to replace them by a single short section.

Section 608 of the act prescribes the conditions under which a ship shall or shall not pay harbour dues. Section 608 prescribes the frequency of payment. Section 610 specifies dues payable for anchorage in the harbour. The actual amount of the dues already is set by order in council.

The object of this amendment is that these things—the frequency with which dues are to be payable and the amount that is to be paid for mooring or anchoring—may also be set by order in council so that we can keep up with the economic conditions and have realistic dues.

Mr. WINCH: I know I should have checked this, but I did not have time. What is the definition of a vessel? That would not include fishing boats or tugboats?

Mr. MACGILLIVRAY: It does. These would be included in the definition of a vessel or ship. A vessel is the widest possible term. Anything that is used in navigation is a vessel.

Mr. WINCH: Is there any charge made on fishing boats using the harbours?

Mr. MACGILLIVRAY: I think the normal thing is to exempt fishing vessels from harbour dues.

Mr. WINCH: Is this applicable when a fishing boat docks at a marina or a fishing dock, once it ties up, let us say, for example, at the fish dock at Vancouver, where there are very grave questions about the charges?

Mr. BALDWIN: That would be a different type of charge called wharfage. These are harbour dues, paid specifically for use of harbours.

Mr. MACALUSO: The charges in here are in respect of public harbours and do not include any harbours set up, say, by a harbour commission?

Mr. BALDWIN: No. At present this would only include government harbours. It would apply to each public harbour under the act but not to a commission. This would not apply to the national harbours board either.

Clause 29 agreed to.

Mr. BALDWIN: Clauses 31 and 34 inclusive deal with questions of limitation of liability. I would suggest that these might be taken up as a group, and I would ask Mr. MacGillivray to explain them.

Mr. MACGILLIVRAY: This group deals with the limitation of liability of owners of ships. The last time the act was amended in 1961 a number of amendments were introduced to sections 657, 658, 659, 660, 661 and 662. Those amendments were made in order to give effect to the provisions of an international convention on the subject which had been signed at Brussels in 1957. Some of the provisions of the convention were covered in 1961. The principal one was an enlargement of the ship owner's liability.

The provisions with which we are dealing here are to carry out the remainder of the provisions of the convention and bring them into our law so that we may ratify the convention.

Clause 31 provides for priorities in the distribution of the limitation fund. I should have added that these amendments have been recommended to the department by the Canadian Bar Association and the Canadian Maritime Law Association, the latter representing owners, underwriters, cargo interests, and so on. When a ship owner claims a limitation of liability, the limitation fund is set up. Clause 31 provides for the priorities in the distribution of the limitation fund; that is, a portion goes first to the life claims, and then another portion goes to the property claims. The portion which goes to claims in respect of loss of life is twenty one thirty-firsts, and ten thirty-firsts go to payment of property damage claims. If the twenty one thirty-firsts is not sufficient to pay out all the life claims, the persons with the life claims rank pro rata with the property claims in a share of the ten thirty-firsts, the smaller portion.

Subclause (2) of that clause provides that the court may postpone distribution of any part of the limitation funds until the result of actions taken outside Canada is determined. All actions against a ship arising out of a collision on the high seas might be commenced in several countries. One of the purposes of the convention is to say that there would be only one single liability amount and that suit on this liability could be brought in various jurisdictions, but the total amount payable out still would be the same. Therefore, if an action is brought in a European country and also one in Canada, in making its distribution the court would postpone the distribution until the foreign claims had been determined in respect of the amount.

Mr. HAHN: This clause implements a convention of 1957?

Mr. MACGILLIVRAY: Yes, sir.

Mr. HAHN: Why were these changes not incorporated in the changes made in 1960?

Mr. MACGILLIVRAY: We had to consult with the interested parties in Canada to see whether they would want the convention ratified. In 1961 we got a portion of it in. I think the principal reason for not covering the whole convention at that time was that we ran out of time in trying to draft the amendments in order to have them ready for parliament. We put in the most essential one; that is, the one which increased the amount of liability of the limitation.

The CHAIRMAN: Are there any further questions on clauses 31 to 34?

Mr. WINCH: Yes, Mr. Chairman; I have one. I am rather curious in nature. In view of the recent declaration by General De Gaulle about gold and the gold standard, does that have any bearing on this clause which has to do with the payment of gold francs, or is it an international agreement and no matter what gold may be at today, the value of the gold franc is the same internationally?

Mr. MACGILLIVRAY: The reference to amount is stated in francs, and that figure already is in the act by reason of the 1961 amendment. The reason for stating it in francs is to achieve a direct uniformity throughout the world in respect of the amount. For instance, until we made this change, the figure in the United Kingdom was 15 pounds and in Canada it was \$72.97. Now all of the countries that accept this will have it expressed in gold francs in their legislation.

Mr. WINCH: Are we affected in any way by the events in these last three weeks? I am going by General de Gaulle's statement on the gold standard and the gold franc. Does it have any effect?

Mr. MACGILLIVRAY: I do not think so.

Mr. BALDWIN: It is recognized as a good international monetary unit to be used as a standard basis no matter what happens. It also is the recognized unit that is used in a number of international conventions. The Warsaw Convention dealing with limitation of liability in the aviation field also is based on the gold franc and has been for years.

Mr. WINCH: There is the same relationship in every country regardless of how it goes up or down?

Mr. MACGILLIVRAY: Yes, so long as the United States price of gold is \$35 an ounce the value in United States cents is 6.33 per franc.

Mr. WINCH: You will not have any difficulty unless the United States changes the price for gold.

Mr. MACGILLIVRAY: If it increases it, the amount that would be payable under this would be increased.

Mr. WINCH: In the same amount?



Mr. MACGILLIVRAY: Yes.

Mr. WINCH: In respect of clause 34, may I ask for an explanation of the comment under (d). Under new clause 34 the purpose of the amendment is to permit the release of an arrested ship, and so on, and when you get down to (d) it is provided that where such security has been given and is available to the claimant no judgment or decree for his claim may be enforced.

How do you explain a judgment or decree which cannot be enforced? I do not quite understand it.

Mr. MACGILLIVRAY: I think it should have said that it may be enforced, otherwise than against that security. When a ship owner has put up security and is found liable, this judgment will be satisfied out of the security which he put up, and the judgment will not be enforced by seizure of the ship.

The CHAIRMAN: Shall clauses 31 to 34 carry?

Clause 31 to 34 carried.

Mr. BALDWIN: This morning the committee approved of clauses 6 to 28 dealing with the international convention of the safety of life at sea. At that time I should have mentioned that clause 36 was included in that batch, and should have been mentioned at that time.

On clause 36.

Does clause 36 carry?

Carried.

Did you say clauses 6 to 28, this morning, Mr. Baldwin?

Mr. BALDWIN: Yes, but I should have said clauses 6 to 27.

The CHAIRMAN: What is next?

Mr. BALDWIN: I suggest with your concurrence that we next take clauses 3 and 5, which deal with the certification of officers of fishing vessels, and perhaps Mr. Morrison from the department, will explain the purpose of this clause and the objectives we have in mind.

Capt. W. S. G. MORRISON (*Superintendent, Nautical Examinations, Department of Transport*): The basic purpose of this section of course is to attempt to provide increased safety for fishing vessels. Over the years there have been a number of accidents, and by analyzing those accidents we estimate that possibly three quarters of them were preventable. For example, we found that in 247 cases over a period of 13 years it appeared that faulty navigation had caused the accident.

Mr. COWAN: Are you speaking exclusively of salt water now?

Mr. MORRISON: No, I was talking about accidents right across the country.

Mr. COWAN: You have no division between salt and fresh water?

Mr. MORRISON: No. We have included them all in one group. Over a number of years there have been various recommendations made by courts of formal investigation into accidents to the effect that masters and mates of fishing vessels—certainly of the larger fishing vessels—should be certified in order to ensure that they have some degree of knowledge of seamanship and navigation, especially in such basic things as the rules of the road for keeping out of the way of other vessels.

In clause 3 the larger fishing vessels measuring more than 100 tons gross would be required to be provided with a certificated master. For the past five or six years there has been a considerable increase in the number of larger steel-stern trawlers and so on built, and we think it is appropriate at this time to bring in this type of requirement.

There has been extensive consultations with the industry. Back in 1961 discussions were held at various points including Vancouver, Winnipeg, Halifax, Quebec, Montreal, and St. John's, Newfoundland, just to mention a few

of them. The fisheries council of Canada, which is a representative organization of fishing vessel owners, appears to be in agreement with the proposals which have been discussed with them regarding various certification requirements, for example, as to age limits which would be required, and the various items in the syllabus for the examination. I think that about covers the introduction of it.

Mr. WINCH: Might I ask a question? I presume for these three men, whether it be a master of a fishing vessel over 100 tons gross, or whether it be an owner-master, or whether it be a master operating for a company, that the same regulations would apply in each case?

Mr. MORRISON: The same regulations would apply, sir.

Mr. WINCH: Could you give us any information on the number over 100 tons gross, and those under, and as between the gill net or the trawler, and the dragger? Just where does the 100 ton gross actually start, in normal terms which laymen might understand?

Mr. MORRISON: It is difficult to get up to date figures. According to the latest figures, generally speaking fishing vessels over 100 tons gross would be getting into a large class of fishing vessels, which would most probably be trawlers or draggers, that is, of 100 tons and up.

They do, for example, go up to about 400 tons, which I believe is the largest one we have had as yet. But the majority of vessels, especially on the west coast, would be under the 100 ton gross figure. We estimated that in the 1961-1962 financial year, the latest year for which there are statistics available, in British Columbia there were 84 vessels over 100 tons gross. This is only a very small number compared with the thousands of fishing vessels across the country.

Mr. WINCH: Although I have no definite knowledge, but because I think it is rather important, I would like to ask you whether, for the west coast of Vancouver island and up the Hecate straits—which are dangerous waters—there are any types of certification or examination in view, because there are perhaps half a dozen men on each of the boats which are under 100 tons.

Mr. MORRISON: At the present time, sir, there is no requirement for the master or the mate of any vessel which is solely employed in fishing to hold any certificate or any qualification whatsoever.

Mr. WINCH: As long as it is under 100 tons, and as long as the vessel is operating?

Mr. MORRISON: This proposal in clause 3 would bring in the requirement that if the vessel measured 100 tons gross or more, then she would have to have a properly certificated master.

Mr. HAHN: Mr. Chairman, if those masters are not certificated but are masters of ships over 100 tons, would they not be given a time period in which to qualify themselves to retain their command?

Mr. MORRISON: What is intended is that those who are already sailing in command of the various fishing vessels would be issued what is called a certificate of service. This would be issued to them without any examination whatsoever. They would simply have to produce a letter from the owner of the fishing vessel or from some recognized person stating that they have been sailing as masters of fishing vessels for a certain period of time, and automatically these men would be issued this certificate of service which would entitle them to continue in their employment until the end of their lives.

Mr. HAHN: Would it not be desirable to conduct an examination of these people to see if there are gaps and deficiencies in their training, and to make provisions to have them update themselves in order to retain their commands?



Mr. BALDWIN: This was considered at length in the Senate hearings as a matter of fact, but the basic principle eventually adopted was that while we should not lose sight of that objective, possibly we should not make it compulsory, and that our real objective should be to accept the situation as it is now so that no one would lose his livelihood, and to make it possible to bring in a certificated class.

Mr. WINCH: Does this mean that everyone who has had a certain amount of experience and a certain number of years is going to get a certificate, and that it will be automatically granted to him?

Mr. BALDWIN: Yes. That is taken care of in clause 5(1)(b).

Mr. WINCH: Clause 5(1) says:

The governor in council may make regulations respecting the certificates of competency and service to be held by masters and mates of fishing vessels, including regulations prescribing,

Does this mean that perhaps it will differentiate between those who are strictly operating within the coastal waters of British Columbia and those who will go outside? Is that why you have a differential in the types of certificates for master and mate? If you are a master you are a master, and if you are a mate you are a mate. Does that mean that if you are only operating in inland waters it will be of one type, but if you take your vessel outside territorial limits you will require something different to qualify as master or mate?

Mr. MORRISON: The original proposal circulated to the industry contained three types of certificates; first of all, there was a certificate as a mate which would allow him to be a mate anywhere; secondly, a certificate as an inshore master which would be good in inner waters, as it were; and thirdly, a senior type of certificate which would allow him to take his fishing vessel anywhere within the waters normally fished.

Since that original proposal was circulated, the lower limit of required certification has been increased from 25 tons gross to 100 tons gross. It is intended that there should be further consultation with the industry before implementing any regulations. As a result of this increase from 25 tons gross to 100 tons gross I rather doubt whether there is any necessity in having two different types of master certificates, because if the requirement is only for over 100 tons gross, then this automatically means the larger fishing vessels which are, to the best of my knowledge, all employed in deep water fishing, in offshore fishing. So there is no apparent need, as we see it now, for having a lower grade certificate for, say, the great lakes or the inshore waters.

Mr. WINCH: Does that mean that basically there will be no difference, under this plan, between the qualifications for a masters certificate on inland waters or outside?

Mr. MORRISON: No, there would not be.

Mr. WINCH: By inland waters I am referring now specifically to the British Columbia coast where you are within the three mile limit, which has now been extended to a twelve mile limit.

Mr. MORRISON: No, there would be no difference, so long as the vessel rates over 100 tons gross, when she must carry a certificate of master.

Mr. WINCH: Whether it is in the 12 mile limit or outside?

Mr. MORRISON: It does not matter where she fishes.

Mr. GRANGER: Most of my questions have been answered, but I would just like to ask the following one: Am I right in assuming that the certificate of service which you give is based on the fact that the man has been in this business for some time, has a great deal of practical knowledge and has proven his capacity to be master of the ship engaged in fishing?



Mr. MORRISON: Yes, this is the approach to it.

Mr. GRANGER: Might I ask one other question with respect to small vessels engaged in a home-trade voyage activity; do they come under the same regulation or is this regulation confined solely to those engaged in fishing? I was thinking of the small type of coastal vessel which engages in coastal activities, and these are usually small ships.

Mr. MORRISON: These are dealt with partially in clause 3(b)(ii) which reads as follows:

... are principally employed in fishing, do not carry passengers and are employed on waters within the area within which a home-trade voyage may be made.

Is this the type of vessel you are speaking about, which spends so much time fishing and so much time coasting?

Mr. GRANGER: And there are some which spend all their time coasting.

Mr. BALDWIN: Those are dealt with under a separate act and under separate regulations.

Mr. CROUSE: Mr. Chairman, the witness has stated that the vessel owners are in agreement on the changes proposed in this act. In view of the impact that this is bound to have on coastal fishing fleets I wonder if you could tell the committee some of the names of the firms with whom consultations were held. How wide was the inquiry relative to these changes?

Mr. MORRISON: Yes. This was discussed in general with the fisheries council of Canada. In Newfoundland it was discussed with the Newfoundland Fish Trades Association. In Nova Scotia it was discussed with the Acadia Fisheries of Mulgrave, the Booth Fisheries of Petit de Grat, the National Sea Products, both the 40-Fathom Division and the Sea Seald Division, the Zwicker Company of Lunenburg, Ritcey Brothers in Riverport, the Lunenburg Sea Products Limited, and Adams Knickle of Lunenburg.

Mr. CROUSE: Might I ask whether you received concurrence from these different companies with the changes that are proposed in so far as they apply to masters, mates and engineers?

Mr. MORRISON: Yes, indeed. As a matter of fact I understand that the consensus of opinion in Nova Scotia is that we do not go far enough in our requirements under the proposed regulations.

Mr. CROUSE: Was any question raised with regard to clause 4, subclause 2(a) which deals with engineers of small ships?

The CHAIRMAN: We have not yet come to it.

Are clauses 3 and 5 agreed to?

Clauses 3 and 5 agreed to.

On clause 37.

Mr. BALDWIN: Clause 37 is a clause which provides that certain sections of this bill shall only come into force on proclamation by the governor in council. Basically this would apply to the sections which deal with the international convention on safety of life at sea, the clause that we have just been discussing regarding the bringing into effect of new regulations regarding fishing vessels and the great lakes cabotage section. The reason for asking that there be some delay in making these effective is the fact that in each case we must have further consultations and get regulations ready before they can be implemented.

Clause 37 agreed to.

On clause 1—*Cargo ship*.

The CHAIRMAN: Clause 1 is a definition clause. Are there any questions?

Mr. MACGILLIVRAY: I have just one explanation. All of the definitions affect clauses 6 to 27, and not the other clauses.

Mr. MACALUSO: We have already adopted this. I move that clause 1 be approved.

Clause 1 agreed to.

The CHAIRMAN: It is a little early to adjourn. I thought we would spend the whole of this afternoon on these clauses but the committee has been very efficient. We are now holding back clauses 2 and 30 until the minister is here tomorrow. We will then consider the very important clause 4. I understand that Mr. Cook has a very important brief which could be read this afternoon. Tomorrow we will have the boat owners.

Do you want to deal with the flag clauses now?

Mr. MACALUSO: The minister has already spoken about them this morning; we could deal with them now.

The CHAIRMAN: A member of the committee should make a motion.

Mr. MACALUSO: I move:

That Bill S-7, an act to amend the Canada Shipping Act be amended

(1) by adding thereto, immediately after clause 1 thereof, the following clauses:

2. Section 87 of the said act is repealed and the following substituted therefor:

Penalty for unduly assuming Canadian character.

87. (1) If a person uses the *national flag of Canada* and assumes the *Canadian* national character on board a ship owned in whole or in part by any persons not qualified to own a Canadian ship, for the purpose of making the ship appear to be a Canadian ship, the ship is subject to forfeiture under this act, unless the assumption has been made for the purpose of escaping capture by an enemy or by a foreign ship of war in the exercise of some belligerent right.

Burden of proof.

(2) In any proceeding for enforcing any such forfeiture the burden of proving a title to use the *national flag of Canada* and assume the *Canadian* national character shall lie upon the person using and assuming the same.

3. Section 89 of the said Act is repealed and the following substituted therefor:

Penalty for acquiring ownership if unqualified.

89. If an unqualified person acquires as owner, otherwise than by such transmission as hereinbefore provided for, any interest either legal or beneficial, in a ship using the *national flag of Canada* and assuming the *Canadian* national character, that interest is subject to forfeiture under this act.

4. Subsections (1) and (2) of section 91 of the said act are repealed and the following substituted therefor:

National colours for ships, and penalty on carrying improper colours.

91. (1) The *national flag of Canada* is hereby declared to be the proper national colours for all Canadian ships and all ships and boats that would be registered in Canada if they were required to be registered at all, belonging to any British subject resident in Canada, except in the case of any ship or boat for the time being allowed to wear any other national colours in pursuance of a warrant

from Her Majesty or under regulations which may be made by the Governor in Council.

Offence and penalty.

- (2) Where a ship or boat described in subsection (1) flies
- (a) any distinctive national colours other than the *national flag of Canada*; or
  - (b) the colours or pendant usually carried by Her Majesty's ships or any colours or pendant resembling the colours or pendant of Her Majesty, without a warrant from Her Majesty or pursuant to regulations made by the governor in council,

the master of that ship or boat, or the owner thereof if he is on board, is guilty of an offence and liable on summary conviction to a fine not exceeding *five* hundred dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment.

and by renumbering clauses 2 to 37 accordingly.

- (2) by striking out clause 40 thereof and substituting therefor the following:

40. (1) Section 1, sections 9 to 30 and section 39 of this act shall come into force with respect to Canadian ships, and with respect to ships registered in any other country on a day or days to be fixed by proclamation of the governor in council

(2) Section 6 and section 38 of this act shall come into force on a day or days to be fixed by proclamation of the governor in council.

My suggestion is that if we are going to have a discussion, this amendment should be agreed to.

Mr. McNULTY: I second the motion.

The CHAIRMAN: It has been moved by Mr. Macaluso and seconded by Mr. McNulty that Bill S-7 be amended as read. All those in favour? Contrary?

Motion agreed to.

On clause 4.

The CHAIRMAN: Mr. Cook, who is our next witness, would like to present a brief. Gentlemen, before we proceed I think it would be desirable to ask Mr. Cumyn of the Department of Transport to explain clause 4. I think it would be advisable for us to hear this before we begin listening to the briefs.

I will ask Mr. Cumyn to give us a short explanation of this clause.

Mr. ALAN CUMYN (*Director, Marine Regulations Branch, Department of Transport*): Mr. Chairman, in 1960 we were contacted by the tugboat owners in British Columbia, who asked us to take a look at that part of clause 115 which requires all steamships having a nominal horsepower of over 10 to carry an engineer on watch at all time.

An engineer is described in the Shipping Act as a "certificated engineer".

The ship owners pointed out that owing to the advent of automation, tugs in the 10 to 15 nominal horsepower category in some cases are being fitted with instrumentation on the bridge which permits the mate on the bridge to maintain a surveillance over the machinery, thus rendering unnecessary the carriage of an engineer on watch at all times.

They also pointed out that new types of machinery which were coming into vogue on ships are more or less designed on the basis of the kind of engines that are being used to drive motor cars and aeroplanes. As distinct from the old type of marine machinery, they are designed to operate for so many hours more or less without attention, after which they are taken down for overhaul.



The Board of Steamship Inspection, in response to this request, sent one of our most capable engineers to the west coast to look into the matter. He had discussions with the ship owners and the representatives of the Marine Engineers Association, and he visited some of the tugs. He came back to Ottawa and recommended that we consider exempting certain tugs from the necessity of carrying a certificated engineer on watch at all times. Exempted tugs would be those of over 150 gross tons, having engines of a nominal horsepower of between 10 and 15, and properly instrumented from the engine room to the bridge so that the officer on watch could maintain a check on conditions in the engine room. He also recommended that only tugs that did not proceed on voyages greater than home trade III or inland waters II should be exempted.

The board considered this matter, having in mind that it did represent more or less the advent of automation on ships, and that the United States competition with which these tugs on the west coast engaged does not require engineers on tugs of this category. They decided this was a reasonable request. So we proposed this legislation as written in clause 4.

Mr. McNULTY: I am not familiar with the term home trade III and the term inland water II. Just what do you mean by that?

Mr. CUMYN: Home trade III, sir, connotes a limit of 15 miles off the coast. The same applies to inland water II.

Mr. HAHN: Could the witness give me a definition of 15 nominal horsepower? What is the meaning of that? What is the relationship between nominal horsepower and brake horsepower?

Mr. CUMYN: Sir, shall I launch at this time into a description of nominal horsepower?

Mr. HAHN: Perhaps you could just give me an indication of the equivalent, let us say, of the brake horsepower of the engine.

Mr. CUMYN: Nominal horsepower represents the capacity of an engine to produce power. It is based on the total cylinder area of an engine or the total swept out volume. Its advantage is that in its calculation there is no chance for dispute or disagreement because it is based upon non-variable factors of the machinery. It is a rough estimate of the capacity to produce power.

Brake horsepower, sir, is the actual horsepower being developed by an engine operating under a given cylinder pressure and rate of revolutions.

The objection to the use of brake horsepower as a criterion for the act in this case is that in its calculation two variables have to be considered. In other words, the rate of revolutions at which an engine is being operated can be varied by the operator at will, and so can the cylinder pressure, to some extent. Therefore, if we were to use brake horsepower as a criterion, it is quite possible that a ship owner or manufacturer would come along and want us to down-rate an engine in order to get it under a certain limit, and their argument would be that they were going to operate this engine at fewer revolutions than those set by the board in calculating the brake horsepower.

Mr. WINCH: Mr. Chairman, I did not know we were going to discuss this aspect, but since we are doing so may I ask the witness a question? I think it is a very specific one.

I would like to ask the witness if nominal horsepower is a scientific measure of either potential or the actual output of an engine. If so, will the witness say whether nominal horsepower rating is the same in all countries?

Mr. CUMYN: The answer to your first question, sir, is no. It is not a scientific measure of the horsepower being produced by an engine. It is a rough estimate of the capacity of an engine to produce power. It is used as a means of comparing engines in other countries by automobile associations

that have more or less the same problem as that with which we are faced in the department in grading engines, and for the same reasons. The moment you enter into brake horsepower you get into the question of the rate of revolutions, and who is to decide what is the rate of revolutions as applied to any particular engine?

Mr. WINCH: Would you say that nominal horsepower on marine engines is basically the same under the various acts of the world that govern the type of operation in which we are interested now?

Mr. CUMYN: Sir, may I quote from Dyke's "*Automobile and Gasoline Engine Encyclopoedia*", 20th Edition, page 1042.

Mr. WINCH: That is concerned with gas engines? Does it also apply to diesel?

Mr. CUMYN: This is an authority on internal combustion engines, sir.

Mr. WINCH: You said gas. I wondered if it covered all internal combustion engines.

Mr. CUMYN: Apparently not. It gives a measure of the power of internal combustion engines, and whether they are gasoline or diesel does not make any difference.

Mr. WINCH: I understand. I did not want to interrupt you. But I was not asking you what Dyke says—and, by the way, I know something of that book—I was asking you about the legislation of the various countries. What is their interpretation? Do their acts vary on nominal horsepower?

Mr. CUMYN: I understand that the Department of Transport have some form of nominal horsepower computation. I am not certain of the method used by the United States Coast Guard.

Mr. WINCH: Do you know about the situation in Australia?

Mr. CUMYN: I am not certain about that.

If you would permit me, sir, I would like to read from this volume of Dyke because it does show that other people who are faced with this problem solve it in more or less the same way. This is a method of computing horsepower which has been devised by the National Automobile Chamber of Commerce.

It reads:

#### How to Figure the N.A.C.C. Formula

This formula is used by all leading manufacturers and by the license offices in different cities. It represents a comparative horsepower rating for automobiles that is used for taxation and similar purposes. It is not an engineering formula, and does not accurately represent the power actually developed by the engine. The formula is expressed as follows:

$$\text{Horsepower} = \frac{(\text{Diam. in inches})^2 \times \text{number of cylinders}}{2.5}$$

Question: What is the N.A.C.C. horsepower of a four-cylinder engine which has a 4-inch bore?

By referring to the table below, one 4-inch bore cylinder is 6.4 and 4 cylinders of 4-in. bore is 25.6 h.p.

$$\text{This is arrived at as follows: h.p.} = \frac{D^2 N}{2.5}$$

$D^2$  (diameter squared)  $4 \times 4 = 16$ .

$N$  (number of cylinders)  $= 4$ .

2.5 (constant).

$$\text{Therefore the horsepower is } \frac{16 \times 4}{2.5} = 64 \div 2.5 = 25.6 \text{ h.p.}$$

It will be noted that the stroke of the cylinder was not taken into consideration at all.

They say how to figure the N.A.C.C. formula. It says that this formula is used by all leading manufacturers and by the licence offices in different cities. It represents a comparative horsepower rating for automobiles that is used for taxing and similar purposes. It is not an engineering formula and it does not accurately represent the power actually developed by the engine.

Mr. WINCH: Would you repeat that.

Mr. CUMYN: It is not an engineering formula and does not accurately represent the power actually developed by the engine. The formula is expressed as follows. The horsepower is the diameter in inches squared, multiplied by the number of cylinders, divided by a factor. In other words, it is basically the same formula we use in the department.

Mr. WINCH: Do you also agree with the statement that it does not accurately represent the actual power of the engine?

Mr. CUMYN: There is no question about that, sir.

Does anyone wish to put any questions on nominal horsepower?

The CHAIRMAN: Have you made your explanation?

Mr. CUMYN: Yes.

The CHAIRMAN: Now, we will ask Mr. Cook to proceed.

Mr. ROBERT F. COOK (*President, C.B.R.T. & G.W., Local 425, Vancouver*): Mr. Chairman, before I read the brief I would like to make clear to the members that we are actually asking to have this proposed changed legislation withdrawn. This brief is being presented to explain our case and to propose a submitted change which would not hurt our people too much if the legislation was changed at this time. I will give you reasons orally, after the brief is read, for which we would like to have this legislation withdrawn at this time.

Mr. Chairman, would it be all right if Captain Meadows read the brief? Then I will give my submissions later.

The CHAIRMAN: Yes.

Captain E. W. MEADOWS (*Assistant Secretary, Canadian Merchant Service Guild, Vancouver*): Mr. Chairman and honourable members:

We are appearing to present the views of our members, the certified marine engineers and masters and mates of Canada, whose intimate, practical knowledge of the matters covered by section 115 of the Canada Shipping Act should be of some assistance to the committee.

At this time we should like to draw the attention of the committee to the following factors having a direct bearing on any changes in the provisions of section 115, namely:

1. The protection of human life and property
2. The technical considerations involved
3. The employment picture

For the sake of clarity and brevity, this submission is limited exclusively to these matters. Our specific recommendations regarding changes in section 115 are listed as the concluding section of this brief.

I. Effect of proposed changes in section 115 on protection of human life and property



Safety is the number one priority in legislation and regulations affecting shipping, as the many sections and provisions dealing with this matter in the Canada Shipping Act testify. Yet safety will be compromised under the proposed revision under the following circumstances:

- (a) tugs of not more than 150 gross tons, powered by internal combustion engines of not more than 15 N.H.P., in waters not more open than would be encountered in a home-trade voyage class III or an island voyage class II, under conditions prescribed at the minister's discretion, *are relieved of the necessity of carrying sufficient certificated engineers to ensure reasonable periods of watch.* Generally the result will be to eliminate one engineer from these vessels as presently operated;
- (b) vessels with internal combustion engines of less than 8 N.H.P. and 600 B.H.P., (regardless of the size of the vessel) *may operate on any voyage with no engineer;*
- (c) vessels of more than 15 gross tons, with internal combustion engines of 8 N.H.P. to 10 N.H.P. and 600 B.H.P., *may operate with no engineer on home-trade class III voyages of less than 10 miles, and on all home-trade class IV and minor water voyages.*

These provisions may allow vessels of up to 1500 B.H.P., and up to 150 gross tons, to operate without an alternate engineer to cover all watches. Even more dangerous is the fact that vessels of unlimited size can operate in any waters, with main propulsion units of 765 B.H.P., with no engineer aboard, e.g. vessels now in operation:

Vessel	Length	Gross Tonnage	B.H.P.	N.H.P.
Island Challenger ....	91'	165	765	7.8
Black Bird II now Gulf Bird .....	92'	98	765	7.8
La Brise .....	90'	182	765	7.8

Note: These vessels can operate in any waters without a certificated engineer.

The hazard to life and property arising from absence of a qualified engineer, can be illustrated by imagining one of these tugs towing a heavily laden scow or large boom of 1½ million fbm of logs when for some reason the engine conks out. The very much greater weight of the tow compared to the tug, both of which are proceeding at the same speed when the engine fails, means that the tow has correspondingly greater momentum. It will require much more time and distance to overcome the momentum of the tow than of the tug. In other words, the tug will be unable to get out of the way and the tow will plow into it. Exactly this situation occurred on February 16, 1960, when the scow towed by M.V. *Myrmak* in the Fraser river sunk the tug, resulting in the loss of two lives. The captain of the tug, Ronald Maxim, was quoted by the press as stating: "The engine had conked out, it may have been air in the fuel line, we could not pull away from the scow, it kept pushing the tug into the water."

Of course, exactly the same hazard is presented to any other person or structure unable to move out of the way of an uncontrolled tow.

The essential protection assured by the presence of a qualified, experienced engineer where engines are operating was well stated by the Ontario special committee on revisions of the operating engineers' act and regulations made thereunder—

After hearing the evidence presented, the committee does not consider that the operating personnel can be replaced entirely by automatic equip-

ment and controls. While it is true that such equipment can and does add to the safety of operation, it is man-made, maintained and adjusted, and therefore, is subject, in some measure, to human limitations. Moreover, a person has five senses, namely: sight, hearing, touch, taste and smell, all of which are used every day and hour and when he is accustomed to a certain environment or field of activity, he reacts subconsciously to slight changes in that environment. A common example of this is the almost intuitive sensation of slight changes in rhythm of a running motor or other machinery, which the experienced operator recognizes, but other observers do not. Also, the circumstances that temperatures are rising to an undesirable degree is frequently indicated by a slight change in smell. These are senses that could possibly be replaced by various kinds of electronic or other controls but the number, variety and complexity involved in such replacements would probably be prohibitive in complication, cost and maintenance.

(Report of special committee,  
June 1963, pp. 24-25)

The job of an engineer on a vessel is not only to sense trouble and act quickly to head it off, but also to effect repairs quickly and expertly. He is completely on his own, with no garage mechanic and tow-truck nearby to come to his aid as in the case of an auto engine failure on the highway. On him rests the whole responsibility of keeping the machinery in good order, and fixing it when anything goes wrong. In these situations, on his actions depends the safety of everyone on the vessel or involved in its movements.

Although modern engines and control apparatus have added greatly to the reliability of vessel operation, they have also had the effect of making expert supervision and care more indispensable. The increased power output of modern marine diesels in relation to their weight tends to accentuate engine vibration, often leading to fractured fuel or oil lines. The combination of vibration from wave motion and engine often leads to plugged bilges when the vessel rolls and pitches. Introduction of more sophisticated auxiliary equipment increases the need to ensure that these systems function properly, or are quickly repaired when they do not.

## II. Technical Considerations of Setting Limit Below which Vessels can be Permitted to Operate Without Engineers

In proposed subsection (2) of Section 115, the limit is set in size of vessel at 150 gross tons and in power of internal combustion engines at 15 nominal horsepower. In proposed subsection (2a) of section 115, the lower limit is set in size of vessel at 15 gross tons, in power of internal combustion engines at 8 to 10 nominal horsepower and 600 brake horsepower, and in type of voyage at home-trade voyages class II of ten miles in length, or of class IV, or of a minor waters voyage.

The use of nominal horsepower (N.H.P.) is ambiguous and dangerous. Nominal horsepower is not a scientific measure of either the potential or actual output of an engine. It is simply an arbitrary convention, based on only one of the variables in engine design which help to determine its output. It may have had some usefulness in roughly classifying early engines, but it is quite fictitious and misleading in the present stage of advanced engine design, particularly of marine diesels. There is no connection whatever between an engine's N.H.P. and its actual output. It is entirely feasible to design two diesel engines with the same N.H.P. but with widely different brake horsepower (B.H.P.) outputs. For example: a Werkspoor RUB-160, 12-cylinder diesel has a N.H.P. of 8 and a B.H.P. of 650; while a Caterpillar D398, a 12-cylinder, has a N.H.P. of 7.8, but a B.H.P. of 1090.

The N.H.P. is currently defined for diesels, under the Canada Shipping Act regulations, as the square of the cylinder diameter times the number of cylinders divided by 60 (or by 45 for opposed pistons). Whereas the theoretical of indicated horse power is given by the formula—

$$\text{PLAN} \\ \text{I.H.P.} = \frac{\text{PLAN}}{33,000}$$

where P=mean indicated pressure in pounds per square inch

L=length of stroke in feet

A=area of piston in square inches

N=number of working strokes per minute

The output, or B.H.P., is the I.H.P. multiplied by the mechanical efficiency factor of the engine, a fraction less than unity. It is thus obvious that there are a number of other variables besides piston size which determine the capability of an engine, and these cannot be expressed by an arbitrary number 1/60 for all conceivable single acting diesel designs.

The following quotation from a standard reference book widely used by marine engineers emphasizes the point, that B.H.P. is the accepted method of engine rating:

“Stating that an oil engine develops a certain horsepower is apt to convey a wrong impression regarding its actual capabilities, unless the type of engine and manner of driving the injection compressor, scavenging and cooling water pumps etcetera is also given. For instance, in some designs the injection air compressor is driven from the main engine, while in others it is independently driven. Also in the case of two engines of the same I.H.P. one operating on the two-cycle and the other on the four-cycle principle and each having the air compressor directly coupled the four-cycle will be capable of doing more useful work than the two-cycle engine, since in the latter part of the I.H.P. will be expended in driving the scavenging pumps, unless of course, they are independently driven. For these reasons the power of oil engines is generally stated in terms of actual power developed on the brake test or B.H.P.”

(The Running and Maintenance of the Marine Diesel Engine, by John Lamb, 5th edition 1945, Charles Griffin and Co. Ltd., London, pp. 691-2)

Under modern practice involving the increasing use of hydraulic, pneumatic or electric control and auxiliary apparatus, the reliability of auxiliary engines becomes just as important as of the propulsion engines. The continuous proper functioning of auxiliary engines for wheelhouse control, bilge level alarms fire detection and other safety devices is obviously of vital importance. This means that the total B.H.P. of all engines in a vessel should be the criterion for judging the need for engineers in attendance—not just the B.H.P. of the propulsion engines.

In this connection it might be noted that there are instances of a self-propelled dredge being classified as a ship where the main propulsion engines may be 1,000 B.H.P., with pumps requiring an additional engine output of 4,000 B.H.P.

The Australian practice in setting B.H.P. requirements for certified engineers recognizes exactly this problem and combines the B.H.P. of both propulsion and auxiliary engines to set the standard.

It should be noted that the Americans use the method of combining brake horse power with tonnage to determine their certificate requirements.

### III. Effect of Lowering Standards on Marine Engineers

At a time when engines are becoming increasingly powerful and control apparatus increasingly complicated, it seems unwise to alter standards in



a manner which tends to downgrade technical skill and experience. The immediate result of the proposed changes in section 115 will be to throw 200 to 300 certificated engineers out of jobs on the west coast alone. A secondary, long-term effect will be to discourage entry into the profession and significantly narrow the training opportunities for lower rank engineers to qualify for higher certificates.

The government shipbuilding subsidy program in recent years has given new stimulus to expansion of Canada's lake and coast-wise fleets. Now there appears to be some possibility that some similar government encouragement may be forthcoming to stimulate redevelopment of Canadian deep-sea operations. In view of these prospects, it would seem most inopportune to place a new impediment in the way of attracting and training men in the marine engineer's profession. Where are the new, qualified engineers to come from if the training grounds on small vessels are reduced or eliminated?

In the United Kingdom, before anyone may act as an engineer, "certificated" or "non-certificated" he must have served an apprenticeship of at least four years "building and/or repairing marine engines and boilers", he must also attend day and night classes for instruction in mathematics, dynamics, machine drawing, general engineering knowledge, science and is subject to a presea oral examination by a Minister of Transport surveyor to be graded as to suitability. In Canada, there are not such stringent requirements, although some steps have been taken in past years by the Department of Transport to improve the minimum standards for marine engineers; in 1932 a motor certificate was introduced, in 1954 it was recognized that modern machinery had made considerable advances and the 3rd class engineers certificate was revised to permit its use as chief engineer on vessels of 25 nominal horse power or less. This was a trend in the right direction, which should not now be reversed. Any action by government to downgrade the standards of any technical or skilled workers is surely a retrograde step with serious implications for the future in this day of rapid technological advance.

#### IV. Employment Picture

Rather than portray a picture of the whole towboat industry on the west coast of Canada, we will show what has taken place in just one company, and, following the normal trend, what will probably take place in the near future.

#### STRAITS TOWING LTD.

##### Vessels recently taken out of operation

Vessel	B.H.P.	No. of Engineers
Wilmae Straits .....	450	2
Montague Straits .....	230	2
Pacific Chief .....	450	2
Georgia Straits .....	400	2
Haro Straits .....	450	2
	No. of engineers removed	
Total horsepower .....	1980	10

Because engineers on towboats work an 84 hour week, they work on a day on, day off basis. This means there would be two crews for each vessel, in other words the removal of  $10 \times 2 = 20$  engineers.

Vessels built to replace the above vessels:

Vessel	B.H.P.	No. of Engineers required by pro- posed legislation
Neva Straits .....	800	1
Haro Straits .....	765	
Rosario Straits .....	765	
Georgia Straits .....	765	
Malasapina Straits .....	765	

Total Horsepower .....	3860	Total Engineers $1 \times 2 = 2$
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Probable Future Changes in the same company:

Vessel	H.P.	Gross Tons	No. of Engineers
Charlotte Straits .....	800	185	2
Fury Straits .....	750	181	2
Hecate Straits .....	500	175	2
Magellan Straits .....	500	177	2
Broughton Straits .....	375	150	2
Burnaby Straits .....	400	101	2

Total H.P. ....	3325	Total Engineers $12 \times 2 = 24$
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All of the vessels named above could be re-engined with 765 B.H.P. engines with a N.H.P. of 7.8, and will not require a certificated engineer under the proposed legislative changes. These vessels would then have a total horsepower of 4590.

In order to circumvent the proposed legislation, operators could, and because of economic competition, probably would, change their heavy-duty engines with high nominal horsepower, for high-speed engines similar to the 765 B.H.P. Caterpillar, which has a nominal horsepower of 7.8. This will probably result in the removal of from two to three hundred certificated engineers from the towboat industry. Many of these men have devoted most of their lives to help build this industry to the very healthy condition it is in today.

Following from the foregoing remarks, we wish to place before the committee the following specific recommendation:

Section 115, subsection 2(a) should be amended by deleting the word "and" from the fifth line and substituting therefore, the word "or".

This subsection would then read:

2 (a) Every ship of more than fifteen tons gross tonnage, other than a passenger ship or a pleasure yacht, powered by internal combustion engines of more than eight but not more than ten nominal horsepower or of more than six hundred brake horsepower as determined by the board shall, when making any voyage other than a home-trade voyage class III of not more than ten miles in length, a home-trade voyage class IV or a minor waters voyage, be provided with the following:

(a) if the ship is not solely employed in fishing, a third class engineer, duly certificated, and

(b) if the ship is solely employed in fishing, a chief engineer of a motor-driven fishing vessel, duly certificated, and subsection (2) does not apply to the ship when making such voyage."

In addition to the above stated specific recommendation, we recommend:

1. We respectfully request all members of this committee to request the setting up of an "Inquiry" or "Commission" to investigate

and study the Canada Shipping Act, with a view to completely revising this act so that it will become more compatible with the modern marine operation of today.

2. We further request all members of this committee to recommend a closer liaison between the steamship inspection branch and the Canadian coast guard, with a view to establishing a better policing action for the maritime industry. We feel that better utilization of all of the forces of both departments will have a strong influence in preventing marine accidents rather than the present method of taking remedial action after the mishap has taken place.

With the permission of the chairman, we request the opportunity to present an oral submission to further elaborate on the above recommendations.

Respectfully submitted on behalf of: The Canadian brotherhood of railway, transport and general workers. The national association of marine engineers and the Canadian merchant service guild.

The CHAIRMAN: Thank you very much, Capt. Meadows. Now, I do not know if Mr. Cook has a further brief to present at this time, or whether we should wait until tomorrow morning, since it is now 5.30, before we go into any further discussion or have comments from Mr. Cook.

Mr. WINCH: Perhaps Mr. Cook at this time could present the specific recommendations he has to make.

The CHAIRMAN: I would like to think we might allow Mr. Cook to make his presentation, and leave our questioning of him to tomorrow morning.

Mr. COOK: My presentation will be quite lengthy, and perhaps it might be wiser if you permitted me to leave it until tomorrow morning.

The CHAIRMAN: You say it will be quite lengthy. All right. Mr. Cook suggests that his presentation will be rather lengthy and that he would prefer to wait until tomorrow morning. Is that the wish of the committee.

Agreed.

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FRIDAY, February 19, 1965.

The CHAIRMAN: Good morning madam, gentlemen, and Mr. Pickersgill. The minister is here this morning. Yesterday we stood clauses 2 and 30, and I think this might be a good time to open up this matter which may not be very long.

Mr. ROCK: I do not think it will be very long. I was the one who asked them to be stood because we actually discussed clauses 2 and 30 together. I was more particularly interested in clause 2 of this bill where they are repealing sections 107 to 113 of the act and replacing them by a new clause 107, simplifying six past sections.

On looking through these sections I see they are eliminating a lot of articles which were very important before. Now, in the simplification of this, and according to the explanation which Mr. Baldwin has given us, it is my understanding that in a sense, somehow, indirectly, the Department of Transport is opting out, as they did in the past, respecting pleasure craft.

What I am concerned about is that, as was stated yesterday, they are possibly going to give some powers to municipalities to license, or to provinces to license, and as this is strictly a matter of federal jurisdiction, I have objected to the adoption of this clause.

If this means that we are more or less indirectly opting out by handing over jurisdiction for licensing of small craft to provinces and municipalities, then we are going in the wrong direction with the opting program.



In general opting out by provinces is in the direction of their own jurisdiction, and they will of course be collecting revenues I believe in their own jurisdiction, and taking over that jurisdiction.

Since the matter of navigation and even pleasure craft is directly a federal matter, I was afraid that we might be going indirectly out of that business. I am particularly worried about the fact that many members of parliament would like to see the federal government expand more with pleasure craft, with going into the building of marinas, and doing more work in the lakes where they travel or in the waters which are used for pleasure craft.

At the present time as well as in the past not much has been done by the Department of Public Works or by your department in that sphere. They have always shied away from it. Also there is the cleaning up of weeds which many municipalities have asked the federal government to do. The type of answer we usually get is that it is a provincial or municipal affair. I do not see how a municipality has jurisdiction within a lake or within the water, because its boundary lines usually run only to the shore and not within the lake. So I cannot see jurisdiction there.

If we are going to give the power to license to municipalities, it is their responsibility, or a provincial responsibility, to see that these responsibilities are there, and to look after the building of marinas, the cleaning out of weeds, and the removal of big rocks in lakes or rivers in which pleasure craft travel.

Another thing is this: we have in sections one to 10 which are going to be repealed these words:

It shall be the duty of the chief officer of customs at every port or place in Canada to furnish such licence, without fee or reward...

This is as far as I will go with that. We are indirectly eliminating the old section 107 and adopting a new section 107 and we are actually now giving permission to collect a fee which I do not think many of the members here realize.

Another thing is this. I do not see why we have to eliminate all these clauses just because, as I understand it, and as was explained by Mr. Baldwin yesterday, they are finding it difficult for customs officers to do this job, and are looking for other agencies. I believe that we already have the agencies in practically every municipality, and I refer to the postal department. Therefore I do not see any difficulty in transferring this duty from the customs to the postal department, and moreover you may have an office of the Department of Transport itself to issue these licences. I do not see why we have to go through all these changes for a simple explanation such as, "They are having a difficult time, and they are having some difficulty in the customs officers issuing these licences".

If this is what is difficult, we already have many other agencies directly connected with the federal government, and I do not think we should start looking for more agencies such as municipal authorities or provincial authorities.

Hon. J. W. PICKERSGILL (*Minister, Department of Transport*): I think I might reply to each of these points. First of all, with respect to jurisdiction, there is no way that by an ordinary act of parliament the federal authority can be divested of its jurisdiction by transferring it to any province or municipality. To do this would require an amendment to the British North America Act, and at the present time we would even have to go to the parliament at Westminster to get it.

There is no thought here at all of attempting to do anything which would divest this parliament of jurisdiction. It would be quite beyond our power to do it anyway; and there is no thought of doing anything to divest

us of a responsibility which under the British North America Act belongs to the parliament of Canada.

It has happened in many fields that it has been much more convenient to use provincial or local agencies, and to hire them as agents to do certain things because they have their employees in the field. I think most of us feel that a proliferation of bureaucracy leading to the acquisition of more and more civil servants is not in itself a good thing.

If there is a real function to perform, that is one thing; but if there is not, then I do not think it operates much to the glory of the national parliament to authorize a municipal or provincial government to do it, or to hire extra bodies to do something which can be done in spare time by somebody else.

Now so far as the waters of the St. Lawrence are concerned, where there is real navigation, as it was understood by the fathers of confederation, I do not think anyone has any thought of delegating any kind of responsibility. I say responsibility here, not jurisdiction, because the latter cannot be delegated.

But there are in every province that I know of, even in the driest provinces, inland lakes where the only kind of navigation is done with boats which have outboard motors and things of that sort. To my mind it has always been utterly ridiculous to have the government of Canada wasting the taxpayer's money concerning itself about these things.

They are purely local matters, and if there is some way that a local official—it may be the local police in the course of their ordinary duties—can see that any regulations which we think fit to make are properly enforced, surely this is just plain ordinary common sense, and that is all that is contemplated so far as this is concerned.

Now, as to the other question which Mr. Rock has raised, the question of saying that we must give it free at the expense of the Canadian taxpayer.

MR. ROCK: Not that we "must", but that we have been.

MR. PICKERSGILL: That we must.

MR. ROCK: No, I did not say that we "must". I said that indirectly we are approving this idea without realizing it.

MR. PICKERSGILL: The present section 110 would make it illegal, I think, for any customs officers or anyone else to charge in these cases the owners of pleasure craft in Canada who, in my view, should not expect to get the service free from the taxpayers.

There are an awful lot of Canadians who do not own pleasure craft, but who pay taxes, too. I do not see why, if I happen to own one of those craft myself, why I should not be perfectly prepared to pay reasonably for a licence if one should be required, just as my son pays for his bicycle licence, and his dog licence, and so on. It does not seem to me that this is a proper kind of charge upon the generality of taxpayers. If the owner of a pleasure craft cannot afford to pay 50 cents for a licence, which covers the cost of printing and out of pocket expenses, I really do not think that any of us will weep very much for him.

If we are going to have to license these things—and I do not want to license anything in Canada which does not have to be licensed; I want to live in a free country where you do not have to license anything if it can be avoided—there are some good reasons why small craft should be licensed in places where traffic is heavy, and where there is real navigation. The Department of Transport has no thought of transferring that authority to anybody, because we want to make sure that we have the greatest safety for navigation.

But in the inland lakes, and in such waters as the Trent canal, where the amount of commercial traffic is not very conspicuous, where it is more a matter for the local police, it seems to me to be only a sensible arrangement

to give them the responsibility in the matter, and the freedom to make sensible arrangements, and that is all that is in contemplation. It is not a matter of handing over the jurisdiction of parliament.

Mr. ROCK: Well, Mr. Pickersgill, I like the way you more or less divide the navigation aspect of it compared with the small lakes up north. Then of course you mention craft with outboard motors. But there are on the St. Lawrence river more craft which operate with outboard motors than there are in any of the lakes up north or in any part of Canada. Yet you fail to mention that you also intend to do the same thing as far as regulating small craft on the St. Lawrence is concerned, because you just mentioned that you had no intent. I know there is no intention to give up jurisdiction over the heavier craft.

Mr. PICKERSGILL: I cannot conceive where in the St. Lawrence traffic is so heavy there could be any divided jurisdiction at all. I think every kind of craft in the St. Lawrence would have to be under the direct control of the Department of Transport or whatever federal agency has responsibility for safety of navigation.

Mr. ROCK: I was more worried about that than about the lakes up north.

Mr. PICKERSGILL: I think this bill would permit an arrangement to be made where it was sensible to make it, but it would not be sensible to make it for the St. Lawrence at all.

Mr. ROCK: That is very good news. I was worried, because I come from a county where we have 17 municipalities, 12 of which contain water which is navigable; so I could not see any municipality getting into this field at all.

Mr. PICKERSGILL: Neither can I.

Mr. ROCK: Within the jurisdiction of the St. Lawrence, as far as a municipality is concerned, there is lake St. Louis and the lake of the Two Mountains.

Mr. PICKERSGILL: I could not see that either.

Mr. ROCK: It is directly concerned with the lakes which are navigable but not connected one with the other.

Mr. PICKERSGILL: We cannot do it any way, unless there is some locality which wants to do it. We do have the feeling that in the Trent canal system, for example, we might be able to make some arrangement with provincial and local authorities who are very concerned about the pollution of that waterway, and so are we. We might be able to make some arrangements for a unified system so it would really be effective, because there is a very thin line even in the jurisdiction on the question of pollution. But the control will always be in the government of Canada because that is where the jurisdiction will remain.

Mr. ROCK: That is very good. I am very satisfied with your explanation.

Mr. FOY: I move the passage of clauses 2 and 30.

The CHAIRMAN: Shall clauses 2 and 30 carry?

Carried.

Now, we are on clause 4.

On clause 4.

Yesterday we heard a brief presented on behalf of the Canadian brotherhood of railway, transport and general workers, and the national association of marine engineers of Canada incorporated, and the Canadian merchant service guild, by Capt. Meadows. I understand that Mr. Cook has a further submission to present. However I was wondering at this time if you would like to hear from the Department of Transport on the brief, before we go into further brief from the same source?



Mr. MACALUSO: Mr. Chairman, would it be in order to allow the marine engineers to finish?

The CHAIRMAN: All right, Mr. Cook, would you proceed.

Mr. ROBERT F. COOK (*President, C.B.R.T. & G.W., Local 425, Vancouver*): Mr. Chairman, when we broke off last night my colleague had finished reading the brief, and on the way out I was rather chastised by one of the members of the steamship inspection service on one of the statements in the brief. I will clarify this particular statement.

On page 11 it states in the bottom paragraph:

In order to circumvent the proposed legislation, operators could, and because of economic competition, probably would, change their heavy duty engines with high nominal horsepower, for high speed engines similar to the 765 B.H.P. caterpillar, which has a nominal horsepower of 7.8. This will probably result in the removal of from 200 to 300 certificated engineers from the towboat industry.

In order to clarify that statement it should read:

In order to circumvent the proposed legislation because the proposed legislation does not go far enough, operators could, and because of economic conditions...

You will note in our brief we suggested that one word be changed, namely that the word "and" be changed to "or". What this would do would be to actually give some recognition to brake horsepower. As it is stated now, "and 600 brake horsepower", still leaves the controlling factor as the nominal horsepower, and the nominal horsepower, I think, has been agreed to by the members of the Department of Transport, as being actually a meaningless thing. It does not really give a true indication of the amount of horsepower turned out by an engine. This proposed change would give our people partial protection. We do not think it really will give them all the protection we need in this because, in actual fact, we really think what we are trying to do is to plug a leaky sieve by filling in one hole at a time.

In our estimation, actually what should be done—and we would be 100 per cent in favour of it—is that if changes are to be made a real inquiry should be made into the whole Canada Shipping Act. We think the Canada Shipping Act is an outmoded document. It really is antiquated, and it should be brought up to date. However, I said yesterday that we were going to give a reason why we felt this proposed legislation should be completely withdrawn, and the reason for this is that we are in the process of setting up a research program into the over-all towboat industry, with a view to looking into the technical changes, safety and manning within the industry. Now, this program is being put under the auspices of a new division in the Department of Labour, manpower consultative services.

This service was set up to look into any industry at the request of the people in the industry who are faced with mechanical changes in their industry, mechanization, automation, or whatever you want to call it. The reason we approached the manpower consultative services for assistance was the fact that we were having tremendous difficulty within the industry of trying to determine the proper manning for this new type of vessel that was coming up. We could not agree. There are four unions in the field and the four unions, amongst themselves, could not agree. There were 46 towboat companies and not any three of them could agree what the proper manning should be for this new type of vessel. The industry was getting into a terrific mess. We were approaching negotiations and it was agreed by management and by the unions that if we brought this problem of manning into the negotiations

a strike was inevitable, and that it was rather futile and stupid to bring something in which we knew automatically was going to cause a strike. So, we approached manpower consultative services and asked them if they could make any suggestions how we could avoid the possibility of a strike. We set out our problem of manning and asked them how to approach the mechanization problem that we have facing us. They agreed that what should be done is to have an extensive research program brought into the industry. We agreed to this and management agreed, and the other two unions in the field also agreed to it. When I say the two unions in the field I am referring to the two unlicensed unions. We started to have meetings to discuss this. We agreed finally on a chairman for this program. He is Dr. E. D. MacPhee, 2588 Wallace Crescent, Vancouver, British Columbia. He is a retired dean of the faculty of commerce of U.B.C.

A program memorandum was drawn up and signed by 46 towboat companies and the four unions, and it will go into effect immediately.

Now, the statement of purpose for this program is as follows:

#### Purpose and Mechanics

1. (a) A joint consultative committee shall be established consisting of at least one responsible representative from the companies and at least one responsible representative from each of the unions. A chairman, or two co-chairmen, and a recording secretary shall be elected from within the joint consultative committee.

(b) A research committee shall be established consisting of two individuals appointed by the companies and two by the unions. A research chairman-director will be retained to be responsible for performing research and planning with the aid of the research committee and under the direction of the joint consultative committee.

(c) Mr. E. D. MacPhee, 2588 Wallace Crescent, Vancouver, British Columbia, has been appointed to the position of research chairman-director.

(a) The purpose of this program shall be to examine all aspects of "manning" for the present and foreseeable future in the towing industry with the aim of preparing recommendations for consideration by the joint consultative committee.

(b) In carrying out this purpose the research committee shall have due regard for the rights, obligations and responsibilities of all parties, and shall equate the needs of technical efficiency with those of sound industrial and human relations as well as safety in the industry.

(c) The research committee shall report regularly to the joint consultative committee and will consult regularly in preparing its recommendations.

As you will note, the statement of purpose was deliberately left very broad because we know there are many changes that are going to have to take place within this particular industry because of the new type of equipment that is coming into the industry.

Now, one class of vessel was highlighted within this document. This class of vessel is the one that has been causing us all our problems. I am referring to a vessel that has been built extensively on the west coast under the new ship building subsidy. There are more than 40 of them that either have been built in this particular class or have been re-engined to this particular type. I mention 40 because they have been building them so fast we honestly cannot actually keep an up to date figure on how many there are.



So, we have put in a special page covering just this particular type of class. Now, ironically, this is exactly the class of vessel that will be left uncovered by this proposed legislation. This is the type of vessel that has in the neighbourhood of 765, 700 or 750 horsepower. One of the things that is happening and has happened in the industry is this; not only are they building new vessels in order to circumvent—and we used this word yesterday, and for economical reasons this probably what is happening—this proposed legislation, by building many of this particular type of vessel because, of course, it is the thinking of management that they can put fewer crew members aboard and make it more economically feasible, but they also have been re-engining other types of vessels. All the departmental people, when questioned yesterday about the size of fishing vessels, and particularly when questioned in respect of a 100 ton gross vessel, pointed out that such a vessel was a large fishing vessel. Well, let me tell you that a 100 ton towboat and up is a large towboat. You will note on page 2 of our brief some of the examples of some of the vessels that have been re-engined, which will not be covered by this proposed legislation. The *Island Challenger* is 91 feet, 165 gross tons, has 765 horsepower and 7.8 nominal horsepower. *Black Bird II* (now *Gulf Bird*) is 92 feet, 98 gross tons, has 765 brake horsepower and 7.8 nominal horsepower. The *La Brise* is 90 feet, 182 gross tons, and has 765 brake horsepower and 7.8 nominal horsepower. These vessels can, and many times do, go anywhere at all on the west coast.

The proposed legislation makes it unnecessary for this type of vessel to have a man aboard who is capable of handling the mechanical problems. What would happen if these vessels were off Vancouver Island, where there is probably the most treacherous water anywhere in the world, and the engine broke down? There is no one aboard this vessel who is capable of repairing the engine on the spot. They could be in very heavy weather and lose the vessel and the lives of the crew members aboard the vessel.

We think, therefore, that this legislation leaves a loophole with regard to this type of engine.

Many things can be done with this engine. Many vessels can be converted to this type of engine. An engine of 765 horsepower is almost double that of most of the towboats on the west coast until about three or four years ago.

Mr. PICKERSGILL: Mr. Cook, I did not have the good fortune to be here yesterday. I would like to ask for clarification on one question.

You are not objecting, I take it, to what is in clause 4 but rather to the fact that it does not cover enough vessels. Is that a correct understanding?

Mr. COOK: Yes.

Mr. PICKERSGILL: Very well. I just wanted to make sure that I understood.

Mr. COOK: If this legislation goes through as it is proposed, we are prepared to go into a 10 month research program. It has been decided that a very extensive research program will be undertaken over a 10 month period into the type of problem with which we are trying to deal here. This type of research has not been done by the Department of Transport. It is true that a man came from Ottawa and went aboard a few vessels, and so on; but he did not sail these vessels in the type of circumstances in which it would be necessary to sail to understand the problems that can come into the picture. It was almost assumed that these vessels would not be outside vessels but would be in the Gulf of Georgia area or the inland water area of the Pacific coast. This legislation does not give the necessary protection.

The steamship inspection department have confidential instructions. I do not know the contents of those confidential instructions because they are just that—confidential. From what I can understand of those instructions, they



insist that someone aboard the vessel must have sufficient mechanical knowledge to satisfy the inspector, whether he be certificated or not. This is all very fine except that the steamship inspection department goes aboard these vessels once a year, and when they go there is a man there who is to be responsible for the engines. They talk to this man and question him, and they find out that he is a capable person, so they say that everything looks fine; and then they go up the dock. But they are no sooner up the dock than that man is up the dock too, and off goes the ship with no one aboard the vessel capable of making any repairs to the engines. This does not happen very often. In 99 per cent of the cases engineers are carried on these vessels and 95 per cent of these people are certificated engineers.

The act does not say that the vessels have to carry these engineers. The owners themselves wish to carry the engineers aboard the vessels because they, of course, can see that it makes sense, that it is one method of protecting their property. However, the danger is that there are one or two per cent who start to operate without an engineer, and they are therefore operating at a cheaper cost. And because they operate at a cheaper cost, they start bidding on contracts against someone who does hire an engineer, and the one without the engineer, operating at the lower cost, gets the contract. This starts a treadmill of economics because then the second man has to cut his costs. How is he going to do it? If the first man did it by dropping an engineer and putting a deck hand in his place, saving a few hundred dollars a year, this is what the second man has to do in order to compete.

We say there have to be changes and there should be changes that would stop this type of abuse.

Furthermore, we have heard about so-called, automated vessels. I always get a little angry when I hear the word automation because most people use that term when they are not really talking about automation at all, they are talking about mechanization and technological change. And it is technological change that we have in the industry right now. These changes are coming into the industry and therefore we, in conjunction with management and the vocational schools in Vancouver, have set up new educational courses for engineers. The vessels for which we were setting up these courses are the vessels which are called automated vessels. These courses have been established for the engineers who work aboard the vessels so they can upgrade their knowledge and learn about the new types of equipment coming into the industry. I am talking now about equipment dealing with pneumatics, hydraulics, electronics and things our people have not needed to know about until this time.

Management agrees with us that we have to upgrade the knowledge of these people and yet, on the other hand, it is said that these vessels are automated and therefore do not need anyone aboard them to protect the machinery.

To carry this subject of automation a little further, when this type of vessel came into being it was almost double the horsepower of the vessels being replaced. They took an engineer away from the vessel. We did not disagree with this; we did not disagree with the idea of taking away an engineer. We agreed with management that they did not need a man aboard 24 hours a day, constantly watch keeping, because now we have wheelhouse control and alarm systems. Therefore, as I have said, we agreed to take away this one man. However, not only did they take away the one man—and this is the part of the automation that amazes me—but they also took away a deck hand and, in many instances, a cook. We have never been able to figure out how they got the cook off the vessel through automation, but this has taken place.

Mr. MONTEITH: Have you never heard of a can opener?

Mr. COOK: That is exactly what has replaced the cook!

May I reiterate that if this proposed legislation goes through it will set one of the ground rules around which this research program will have to revolve. We think this would be very unfair to us at this time. We think there will be a better opportunity to find out more about this type of equipment after the research program. We feel that the Department of Transport should, in conjunction with the Department of Labour, participate in this type of program to thoroughly study new equipment. We do not mind what regulations they bring down if we know they have undertaken the proper research. Then, whatever comes after this, we have already agreed that we will accept the recommendation of this chairman; and that would be arbitrary and would continue for three years. We have also agreed that this committee, if necessary, would continue as long as other new equipment was being brought in.

It is not the case, therefore, that we are trying to stop progress or anything like that. All we are saying is that there should be proper research into this industry if new equipment is going to be used, and legislation should not be passed in a haphazard manner without extensive research.

Mr. WINCH: May I ask Mr. Cook just how the research committee is being financed.

Mr. COOK: The committee is financed 50 per cent by the federal government, 25 per cent by the companies and 25 per cent by the trade unions.

Mr. ROCK: May I ask a question, Mr. Chairman?

The CHAIRMAN: Gentlemen, we have another group here today who come from far away, the tugboat owners. I wonder if we should not hear their brief at this time so that we can have a full picture of the situation.

Agreed.

Mr. ROCK: Then may we ask questions of both groups?

The CHAIRMAN: Yes, of course. I think we should have the whole story first. Have you finished, Mr. Cook?

Mr. COOK: I would like to say something more, Mr. Chairman, but I am afraid I will have to impose on your good nature in order to say it.

We made another recommendation in our brief, which I know very well cannot be acted upon by this committee as a committee. However, this recommendation deals with a problem that exists in the marine industry that we would like to have brought to the attention of people with knowledge of the transportation industry. This problem has been pointed out very extensively over the last couple of weeks because of a number of vessels sinking, and in a couple of instances there was loss of life. We feel this is a very important matter.

May I put this to the committee for their information rather than making any recommendation?

Mr. PICKERSGILL: May I make a suggestion, Mr. Chairman?

This is something on which I think my department would like to have a brief in writing. If such a brief were furnished to me as Minister of Transport, I would undertake to reproduce it and make it available to all the members of the committee and to any other member, and to officials of the department who are interested, in order to save Mr. Cook's organization the necessity of doing that. He has said it is not strictly relevant to this bill, but we would like to have this information because whatever we do about the Canada Shipping Act now, it is not going to be a closed book. There are obviously other changes that will have to be made in the future.

Is that satisfactory?

Mr. COOK: Yes, thank you very much.

The CHAIRMAN: May we now proceed to hear from tugboat owners?



Mr. J. Rod Lindsay is here. He is General Manager of Vancouver Tugboat Limited. Mr. Lindsay is accompanied by Harold L. Cliffe who is Manager of Canadian Tugboat Company Limited, Vancouver.

Mr. J. Rod LINDSAY (*General Manager, Vancouver Tugboat Limited*): Mr. Chairman, Mr. Pickersgill, hon. members, we appreciate the opportunity of appearing before you and presenting our thoughts in regard to Bill No. S-7.

I received a telephone call at seven o'clock yesterday morning, when I was in bed but when you were sitting here! I apologize for not being here yesterday; we thought we would be called next week.

We were advised to submit copies of our brief.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are there copies of the brief?

The CHAIRMAN: There are a few copies which are being distributed.

Mr. LINDSAY: As we had to publish this brief yesterday morning we were unable to have a translation made, and we were only able to bring about 25 copies.

Before I start to discuss the brief, there are a few things I would like to say.

I think both our brief and the union brief are substantially the same as those presented before the Senate committee last spring. Since that time, my good friends who appeared before me and I, along with the towboat people in British Columbia have been in wage negotiations. We have been negotiating for over six months, and therefore we have had little opportunity to think about Bill No. S-7 in the meantime. We have just settled a wage increase with all the marine unions. This has filled our days for the last six months.

The wage settlement with the towboat unions shows, I think, that the economy of British Columbia is moving at full tilt, that it is booming. We have particularly full employment. We in the towboat industry have quite a shortage of good masters and good engineers on towboats. We cannot get good men now, and there is a tremendous building program going on, so we will be even shorter of personnel.

I would like to mention something to which reference has been made this morning, but which is not mentioned in the brief; that is, the three-way agreement between the towboat operators, the unions and the manpower consultant service of the Department of Labour to go into the research project concerning crewing of vessels in the towboat industry. This is a matter of labour negotiation; that is, it is a matter being carried on in conjunction with the Department of Labour. I do not think it is a matter altogether with the Department of Transport.

I do see one problem in this. If we continue with the Canada Shipping Act legislation as we presently have it in respect of engineers, this kills the scope of our manning inquiry. The legislation we have is too restrictive to allow the manning inquiry to go on. We have to live with the Canada Shipping Act. We have to live with a binding agreement brought down by a chairman even if he comes in with something which supersedes the Canada Shipping Act. If we are going to have an effective inquiry into the crewing on vessels of the British Columbia coast, we do not want to get into something which is as restrictive as we have now.

One other remark I would like to make is that our industry on the British Columbia coast employs a total of 350 marine engineers. Some remarks have been made about displacing people, but we only hire a total of, I believe, 1,500 people in our industry, 350 of whom are marine engineers.

If I might, I would like to proceed with the brief of the B.C. Towboat Owners' Association.



The B.C. Towboat Owners' Association comprises 43 tug boat companies operating on the British Columbia coast. These companies together operate vessels of various sizes from harbour tugs to deep sea tugs, and comprise the major part of the industry, and as I mentioned previously our companies employ 350 marine engineers.

Early in 1960, our association was advised by the Department of Transport that they were reviewing certain parts of section 115 of the Canada Shipping Act and asked our views on suggested amendments which we subsequently submitted to the director of marine services and to local steamship inspection officials.

In addition, we understand that the National Association of Marine Engineers—now the C.B.B.T.—also submitted their recommendations.

Eventually subclause (3) of clause 9 of Bill No. C-98, which received first reading on May 20, 1961, included a revision covering engineers on tug boats. This revision provided that tugs of not more than 150 tons gross tons powered by internal combustion engines of not more than 15 nominal horsepower fully controlled from the bridge may be exempted from carrying the additional certificated engineer required by subsection (2) of section 115 when making voyages not more open than home trade class III or inland voyages class II.

This clause in its original form passed second reading in the House of Commons and passed the standing committee on railways, canals, and telegraph lines.

On final reading in the house, subclause (3) of clause 9 was deleted after a long speech by the hon. Mr. Harold Winch. Mr. Winch made the following statements:

1. Nominal horsepower was an antiquated term.

I understand that this statement is being made again.

2. 50 to 100 engineers on the west coast tug boats would be laid off if such an amendment should pass.

This figure seems to have been revised upward to 300.

3. Tugs operating under suggested amended regulations would be unsafe.

4. Automated engines on west coast tugs were unreliable and such vessels needed just as many engineers.

None of the above statements were factual; nor could they be substantiated by evidence. Indeed the engineers' unions have had difficulty in supplying enough men for the industry in the past two years.

After June 12, 1961, a great deal of further consideration was given to this section of the act by the department and it was subsequently passed by the Senate in 1964 in its present form.

In addition to allowing the use of one certified engineer on vessels under 150 gross tons and not more than 15 nominal horsepower on certain restricted voyages, as in the original Bill No. C-98, a further limitation has been included. This further limitation headed subsection (2) (a) of section 115 stipulates that vessels of more than 8 but not more than 10 nominal horsepower and more than 600 B.H.P. shall carry a 3rd class engineer duly certified. In the past no tug boat of 10 nominal horsepower or less needed to carry such a certificated engineer.

We of the B.C. Towboat Owners' Association have the following comments to make in regard to the proposed amendment (2) (c) of section 115:

1. We are not in favour of the 150 gross tons limitation placed on this amendment but otherwise feel that this amendment is well worded.
2. A vessel of 150 gross tons is not a large ship and, in general, must be a vessel of less than 100 feet in length.

(Note—All tugs towing log barges in British Columbia are more than 100 feet in length and by 1966 more than one quarter of the logs in British Columbia will be moved by log barges.)

3. The operation of the main engine must be fully controlled from the wheelhouse and, in fact, on all British Columbia vessels can be controlled from at least two other control positions.  
This is on the flying bridge or aft on the winch.  
There are controls all over the boat.
4. The minister may prescribe any other conditions which he deems advisable before making an exemption under this clause.
5. This clause only applies to vessels operating in home trade class III waters or inland class II waters which can be restricted by the steamship inspector and certainly will not allow a vessel to go more than 20 miles offshore or more than a maximum distance of 100 miles between ports of refuge.

This suggested amendment, therefore, has a great number of built-in restrictions.

Many of our members have been in business on this coast for over 45 years.

My friend here has been in longer than I have.

These men have seen tremendous changes take place in the construction, powering, and outfitting of B.C. coast tug boats. This has been particularly accentuated by the ship building subsidy which is now in effect, we hope.

The days of the wooden tug boat are finished and these old vessels are being replaced by modern welded steel hulls with tremendous improvement in seaworthiness and reliability.

These same operators have seen a transition from coal and oil fired steam engines to the first unreliable heavy duty diesel engine which required a continual watch for bearing failure and constant mechanical lubrication.

They have seen metallurgical improvements whereby the quality and weight of engine parts have been improved, plus the addition of many types of both visual and audible alarms being attached. Whether engines are over or under 10 nominal horsepower, they have seen the fitting of multistation automatic controls for both main engine and auxiliary equipment.

The common use of electronic aids to navigation has greatly improved the safety of crew members.

Both towboat operators and employees must agree that the modern tug boat is safer and more reliable than the older vessels for which section 115 of the Canada Shipping Act was originally designed.

We feel also that we must outline a rebuttal to some of the arguments put forward by the hon. Mr. Winch. First of all, there are only 9 tug boats on the British Columbia coast which are less than 150 tons and between 10 and 15 nominal horsepower. Therefore, at the maximum, only 18 engineers could be displaced (2 such engineers necessary to continuously man one vessel). However, a number of these vessels have certificates which are higher than class 3 certificates and, therefore, the engineer could not be replaced. Some operators have served as engineers on this class of vessel—and I include myself as one—and it is a well known fact that these engineers do not keep a constant watch in the engineroom but spend a great deal of their watch in the galley and wheelhouse. It is therefore a fact that a 24 hour watch is not being kept at the present time in the engine room on such vessels.

If also, the automatic controls and both visual and audible alarms are not reliable, towboat operators in British Columbia as well as ship operators all over the world are wasting a tremendous amount of money.



With the strides that are being made through automation and technological advances, we of the British Columbia towboat industry feel that this section will certainly be revised further in years to come. We are sorry to see the limitation of 150 tons imposed on this section. It should be at least 200 gross tons; in fact, we believe within the next few years the industry will be requesting a limit of 250 gross tons.

We, on the British Columbia coast, must compete with foreign freighters that have taken full advantage of electronics and modern machinery to reduce crews.

Let us now consider proposed amendment subsection (2) (a) of section 115. From our association's viewpoint, this amendment can only be a regression after considering the foregoing arguments. With the great improvements in the reliability of modern marine engines and with all the automated controls and alarms, particularly on this size of engine which is under 10 nominal horsepower, we can see no reason for carrying any certified engineers. Vessels of this class have already been operating for over 10 years on this coast without certified engineers and, in fact, with individuals who are in charge of the engine but also perform other duties.

Certified engineers have not been required in the past on vessels under 10 nominal horsepower and it is difficult to see why they should be required in the future.

We of the British Columbia towboat industry are particularly interested in operating safe and efficient vessels. In fact, in the past five years, management has instituted and spent considerable capital on industry wide safety programs.

Because of the ship building subsidy, we have been able to put into service many new vessels which all must agree are safer and more seaworthy than vessels previously in existence. It is therefore our contention that the proposed change to 8 nominal is indeed a backward and unnecessary step which, if implemented, will lower the efficiency of the industry.

We of the British Columbia towboat industry are anxious to provide any further information which the committee might require and look forward to the opportunity of being present in Ottawa when committee meetings are held.

We thank you for the opportunity to be present.

The CHAIRMAN: Have you any further remarks?

Mr. LINDSAY: I have a few more things I would like to say if I might. I would like to point out that there is no towboat in British Columbia which comes under the jurisdiction of the steamship inspection which has had a loss of life through sinking, stranding or engineroom failure on the British Columbia coast in the past five years. We have had the odd case of a man being hit by a towline and knocked overboard; that was a deckhand. We had another case where a person fell off the wharf. There have been deaths in our industry, but not through mechanical failure, sinkings or strandings of vessels over 15 gross tons which are covered by steamship inspection. There is one way to have a 100 per cent safe vessel; this is to have the vessel tied up at the dock and not operating. In this case there would be no crew on board and there would be no problem.

Mr. COWAN: The *Noronic* burned at the dock in Toronto harbour.

Mr. LINDSAY: If we are to get down to this type of restrictive legislation, it could put us back so far that there would be no jobs. There is a terrific expansion in the primary industries on the west coast which we service, such as the pulp and paper industry which will double between now and 1970. Our business has increased 50 per cent in the past five years, and we feel in the next five years it should increase another 50 per cent. This means new vessels, more jobs and more engineers. We cannot obtain engineers right now to serve on our vessels. We are able to get the odd one temporarily who is waiting



for the fishing season to open. They all want to take off as soon as the spring arrives and we are left without sufficient men to operate our vessels.

We have three main concerns in the twoboat industry today; first, to remain competitive in the lumber, pulp and paper and mining industries. Second, we have to be able to find the capital to keep up with growing industry. The third concern is, that we have to find the labour force and the men to man our equipment. These are three of our prime concerns on the west coast today.

We note that within 35 miles from Vancouver, across the American border, the Puget sound towboat industry has no restrictions whatsoever on vessels up to 200 gross tons. They have no inspections of any description. We have inspection at 15 gross tons. We are competing back and forth in business with Puget sound.

Now we are concerned with all competition, not only American competition. We have to compete with Norwegian vessels operating from British Columbia moving newsprint to California with Norwegian crews. Norwegian wages, being fully automated, with vessels 10 times larger than we are operating, and with no watch necessary in the engineroom.

One of our big competing companies, MacMillan and Bloedel, are building a big ship now to try to compete on the Canadian coastal trade in moving newsprint down there. We feel that further regulations are absolutely unnecessary in lowering the limits for safety's sake, and we feel that we are running a safer operation today on the British Columbia coast than we have ever operated before.

We have problems in getting employees. We feel that further legislation will cause us to have more problems in this regard. The union has said that there are technical considerations which are in favour of less legislation, not in favour of more legislation.

There is one thing in this "and/or" change which the unions are recommending. If they want to change the wording in their brief, this is going to include a tremendous number of fields. The reason for doing this is to bring a whole group of vessels under regulation which are not presently under regulations, and it will bring the fishing boat type of vessel into this as well, and I think this would create some repercussion in the fishing industry.

Now, I think maybe we have said enough, but I do feel that the proposed change in raising the limit from five nominal horsepower to 200 would provide a much better framework for the inquiry which is to be carried on in the next 10 months on the British Columbia coast.

The CHAIRMAN: It is now 10 minutes to 11 o'clock. I had proposed to call upon the Department of Transport to complete the picture before asking you to present your questions, but the minister has a suggestion he wishes to make.

Mr. PICKERSGILL: In view of the fact that all the witnesses before the committee come from British Columbia, I do not think any of us would want to keep them here until Monday if we could possibly complete the operation today. I wonder if we could not agree to resume our sitting at 2.30 in the railway committee room in the main building. We all know there is a very important bill on in the house and we have to be near enough to the chamber in case there are any votes called, and that applies to members from all parties. I can probably have a word with the whips to see that some reasonable amount of notice is given if some vote is coming up, and we could complete at any rate the hearing, and then let these gentlemen return home. I wonder if that would be agreeable? Possibly we might sit for another five minutes.

Mr. WINCH: No, let us adjourn.

Mr. PICKERSGILL: May I put one question to the witnesses not to be answered now, but so that they might think about it on both sides between now and 2.30. I have the impression that every member of the committee

would like to know from both witnesses whether they would rather have us make the changes which are now proposed which do not satisfy them completely in every case, or leave the law just as it is? I think we would like from each of them a reasoned answer to that question. I think it would help us to make up our own minds about it, if we could have from both of them an answer to this question: If you are faced with the choice between leaving the act alone, or putting in this clause, which would you choose?

Mr. Cook here, and the other two gentlemen might give us an answer to it some time during the afternoon, and I think it would help us all.

The CHAIRMAN: The committee now stands adjourned until 2.30 p.m. in the railway committee room.

#### AFTERNOON SITTING

The CHAIRMAN: We have a quorum. Would you please come to order.

Just before adjournment this morning we decided to proceed with the evidence of Mr. Cumyn with regard to clause 4. He is present now and I would ask him to make any comments he wishes to make at this time.

Mr. WINCH: Mr. Chairman, before we hear from Mr. Cumyn, in view of the very important question which was put by the minister, before the adjournment do you think we might have answers from the two parties concerned at this time. This may have an important bearing on the issue.

Mr. PICKERSGILL: Well, Mr. Chairman, if they are prepared to give their answers without hearing from the department, perhaps that would be a good idea. because then it might not be necessary to hear from the department. If they both give the same answer to my question it might end our deliberations here and now, for which I am sure we all would be grateful.

Mr. WINCH: Mr. Chairman, I suggest that we hear the two answers.

The CHAIRMAN: All right. I will ask Mr. Cook and Mr. Lindsay if they are ready to answer the questions put to them by the minister just before adjournment this morning.

Mr. Cook: Mr. Chairman, we would be prepared to hear from the department first.

Mr. LINDSAY: Mr. Chairman, we would be prepared to answer the questions now.

Mr. PICKERSGILL: Perhaps we should hear from the department officials.

Mr. ALAN CUMYN (*Director, Marine Regulations Branch, Department of Transport*): Mr. Chairman, I would like to make a few comments on the brief submitted by the guild. Many of the points already have been touched upon by the ship owners, and I will skip over them as lightly as I can.

First, I would like to stress that clause 4 (c), while proposing to dispense with the carriage of a watchkeeping engineer, does not mean that there will not be a chief engineer on the ship. It should be appreciated that, in fact, there will be an engineer on the ship charged with the over-all supervision of the machinery.

Then, turning to subclause (2) (a) of clause 4, the brief does not make it clear that this is actually an extension of the requirements; that these boats in the 8 to 10 nominal horsepower class presently are and have been operating without certificated engineers; and that, in fact, we are bringing them under regulations in this respect.

On page 2 of the brief there are listed a number of vessels which will be able to operate without a certificated engineer because they are below 8 nominal horsepower. Well, it is our experience, Mr. Chairman, and it is the general experience in shipping, that the moment you establish a criterion the



ship owner proceeds to equip his vessel or build it, or engine it, so it comes just under that criterion. I am sure if we brought the criterion down to 7.5 nominal, then the ship owner would proceed to install engines at 7.4 nominal, or something of that nature. Then the question is how far down are you going to chase him.

At this time I think it should be stressed that the United States tugs with which the west coast ship owners are competing do not require certificated engineers for tugs below 200 gross tons. These tugs are allowed to operate with or without engineers, as they please.

Mr. WINCH: Is that without regard to the brake or nominal horsepower?

Mr. CUMYN: Without any regard to the power of the machinery installed.

On page 3 of the brief, mention is made of a report by the Ontario Special Committee on Revisions of the Operating Engineers Act, which state that operating personnel should not be replaced entirely by automatic equipment and controls. Of course, we are not proposing to do this. We simply are proposing that although watchkeeping engineers will be dispensed with, there will still be a chief engineer on board.

At this point mention might be made of the fact that there are ships operating on the oceans today which are of a very modern type, in which conditions in the engineroom can be monitored to the bridge and to the chief engineer's cabin, and they do not have watchkeeping engineers at all. We know of a large trawler under the United Kingdom flag operating in the North sea under this condition.

Mention is also made at this point of the fact that human beings can maintain a better watch than can instrumentation, because they have five senses. This is open to doubt.

Mr. COWAN: Do you mean it is open to doubt that they have five senses, or that automation is providing better safeguards.

Mr. CUMYN: I mean it is open to doubt that human beings can keep a better watch than can the use of instruments. Many ships are being operated through instrumentation and quite a number of industrial installations on shore are already handled in the same way.

On page 4 of the brief it is claimed that modern engines require more expert supervision and care than did the old type of machinery. Now, that may be the case but it is a different kind of care. With the old type of machinery you had to have an engineer moving about the engine room, feeling the bearings, watching the bilges and looking at other pieces of machinery. But, of course, now this is all done in modern ships by the engineer sitting in a console in the engine room watching his instruments, or by someone on the bridge watching instruments. Mention is made of fractured oil lines and plugged bilges being unrealistic to the marine engineer. But oil lines are fitted with special fittings to take care of vibration, and plugged bilges are looked at by the marine engineers or steamship inspectors as an indication of poor house-keeping, such as someone leaving rags in the bilges, and that sort of thing.

We come now to the thorny question of nominal horsepower. The statement is made here that nominal horsepower is simply an arbitrary convention which is ambiguous and dangerous. So far as it being an arbitrary convention, so is brake horsepower in the manner in which the board of steamship inspection would have to use it if it was placed in section 115 of the Canada Shipping Act in place of nominal horsepower. The reason for this, as I pointed out the other day, is that the rate of revolutions and cylinder pressure are factors in the calculation for brake horsepower. Now, the board of steamship inspection will have to calculate the brake horsepower of any engine in question, and they will have to assume a rate of revolutions and a cylinder pressure because these are variables which can be varied by the operator



at will. So, if you use a formula and base the factors in that formula on an arbitrary assumption then, of course, the result you get will be an arbitrary figure; in other words, the brake horsepower that the board of steamship inspection will derive from any formula will not necessarily be the brake horsepower used by the operator in the operation of his ship. And it is quite possible that two ships fitted with the same model of engine will work on a different brake horsepower, depending on the speed at which the engine is operated and the operating pressure in the cylinder. Moreover, the relationship that exists in section 115 of the Canada Shipping Act between the horsepower criteria contained therein and the grade of engineer that is required for each criterion is not based on any arithmetical calculation. The criteria are simply designed in the first place by the board of steamship inspection in an arbitrary manner, and this is based on experience and judgment. The point I am trying to make, sir, is this. If you look at the brake horsepower limitations contained in the section and then the requirement that for a certain horsepower a certain grade of engineer will be required, and ask yourself how does the board of steamship inspection decide that so many brake horsepower requires a first, second or third class engineer, you must appreciate that this was done on an arbitrary basis and was not done by mathematical calculation. Therefore, the whole process is an arbitrary one. Whether we use brake horsepower or nominal horsepower is rather unimportant, except to the board of steamship inspection who are charged with the implementation of this legislation. We know that as long as we use nominal horsepower we will have no argument with a ship owner, the engine builder or the unions because the calculation for nominal horsepower is quite simple. It is based on non-variable factors, the cylinder diameter and the number of cylinders, and there can be no argument about it. If, however, we are forced to the use of brake horsepower we will have to assume the revolutions and the cylinder pressure, and we will find ourselves in constant hot water with the unions, with the ship owners and with the engine manufacturers who will be pressing us to assume revolutions and cylinder pressures that will serve their particular interests. Every interest will be different. So, wishing to lead a quiet life, we would much prefer to be allowed to continue to use nominal horsepower.

I was asked the other day what other countries use the nominal horsepower measurement. I have learned that it is used in the United Kingdom and Australia and, as I pointed out previously, it is used by automobile associations in the United States and many other countries of the world. They use it, of course, for precisely the same reasons as we use it. The United States coast guard do not bother with tugs under 200 tons, so it is immaterial to them.

On page 7 of the brief of the Canadian Brotherhood of Railway, Transport and General Workers, the National Association of Marine Engineers of Canada Inc. and the Canadian Merchant Service Guild, you will see a reference to instances of a self-propelled dredge being classified as a ship where the main propulsion engines may be 1,000 brake horsepower, with pumps requiring an additional engine output of 4,000 brake horsepower.

The thought is expressed that instead of using the criterion of 1,000 brake horsepower for propelling machinery, we should use 4,000 brake horsepower plus 1,000 and make it 5,000 brake horsepower. But it should be pointed out here that the 4,000 additional horsepower is used to drive the dredging pumps which are not used to propel the vessel and which are not concerned with the safety of the vessel; they are merely additional equipment.

On page 8, the claim is made that the proposed changes in clause 4 will result in the loss of many jobs for certificated engineers. Our inquiries indicate that the first part of clause 4 will result in the loss or might result in the loss of some 24 jobs, whereas the imposition of the second part of clause 4 would result in the creation of some 12 jobs, resulting in a net loss of 12 jobs for certificated engineers.

The claim is made on page 9 of the brief that the effect of this legislation might be to downgrade the standards of marine engineers. I can assure you, sir, that the board of steamship inspection, as well as the guild, have always been very active in upgrading the standards of the marine engineers. We have always worked very closely with the schools, and we have always maintained the examination standards at the highest levels consistent with an ability to obtain a reasonable supply of marine engineers.

There are listed on page 10 of the brief some 10 vessels which were recently taken out of operation by Straits Towing Ltd. My understanding of the reason for these vessels being taken out of operation is that they have become very old and uneconomic for that reason.

A recommendation is made on page 12 that section 115 subsection 2(a) should have the word "and" in the third line replaced by the word "or". This, of course, would mean that many tugs in the 700 or 800 brake horsepower class, but which are below the 8 nominal horsepower, would now require to have a certificated marine engineer aboard. I do not think we should be too much impressed by the fact that these engines have a brake horsepower of 600 or 700 because actually these engines are of very modern type and operate at a high rate of revolutions. They are designed to operate without adjustment for thousands of hours in some cases, and then to be taken down for a complete overhaul and rebuilding. The whole concept is that they will operate without adjustment during those times. In fact, they are so doing.

A question was raised here yesterday about the efficiency of the steamship inspection service on the west coast. I find that over five years between 1958 and 1963 we had some 1,220 vessels under inspection. During this time there were 21 vessels lost, four of which were tugs and the remainder were fishing vessels. There were 25 lives lost during this period, all of which were lost from fishing vessels, there being no loss of life from tugs. I am talking, of course, of inspected tugs of over 15 gross tons.

We do appreciate that probably the time has come to extend the steamship inspection in some measure to tugs below 15 tons. We have discussed this matter with the guild and we have informed them that legislation to bring this about is presently under consideration in the department.

May I say one last word, sir? On looking over the requirements in the United Kingdom I found that certificated engineers are required only on foreign-going ships and on home-trade passenger ships. They do not require the carriage of certificated engineers on coastal tugs in the United Kingdom.

The CHAIRMAN: There will be a short recess while the members go to the house for a vote.

Recess.

On resuming.

The CHAIRMAN: May I suggest, Mrs. Rideout and gentlemen, that the brief of Upper Lakes Shipping be appended to the minutes of the proceedings. No representative of the company will be coming to present the brief to us.

Mr. WINCH: It should be noted that the brief will be tabled after the section concerned is passed.

The CHAIRMAN: Yes.

Is that agreed?

Agreed.

Mr. PICKERSGILL: Mr. Chairman, while we are waiting for the witnesses may I say a word about the railway bill?

I understand from the house leader that there are certain private bills to be sent to this committee, and it is hoped they might be dealt with during



the present session. Perhaps the committee would like to deal with those before we start on the subject matter of the railway bill. I suggest that the first session of the committee on the railway bill might be held next Thursday morning when departmental officials could give an exposition of the bill which would be printed and on the record over the week end. A week from Tuesday the committee might start hearing other interested parties. I think that would provide ample notice for those who want to appear. I hope no pressure will be put on reluctant witnesses. I think there is no doubt that there will be plenty of people who are only too ready to come at this stage to have their briefs heard, and any others can be heard when the bill comes back again in the new session.

I put forward those suggestions, Mr. Chairman, and leave them with the committee.

The CHAIRMAN: Gentlemen, if this bill passes through committee today we should be taking up three private bills on Tuesday next, and that I think would be a short session.

Mr. BARNETT: Can you tell me what those bills are, Mr. Chairman?

The CHAIRMAN: Those are the two pipeline bills and another bill which were referred yesterday afternoon.

On Thursday next, as suggested by the Minister, we could have a meeting at which the officials of the Department of Transport would explain Bill No. C-120. That was done last fall. I had three meetings but they were rather private meetings of the committee. This would be a regular meeting of the committee and the evidence would be recorded, but limited to the officials of the Department of Transport.

If possible, in the following week we would begin the regular meetings with witnesses from different parts of Canada and representing different interests.

I will now ask Mr. Cook, Mr. Lindsay and Mr. Cumyn to sit here, and members may question any one of these witnesses.

Mr. MACALUSO: Had Mr. Cumyn finished his remarks before we left, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. CUMYN: Yes.

Mr. WINCH: Mr. Chairman, I appreciate the arrangement you have made to have these witnesses questioned at the same time. I think it is excellent.

There are a number of questions I would like to ask, but in view of the fact that I have either honourable or dishonourable mention twice in the brief submitted by the tugboat owners I would like to direct my first question to Mr. Lindsay.

There is one phase on which I think all committee members would like to have some clarification. I understand, Mr. Lindsay, that you are representing strictly the tugboat owners of British Columbia.

Mr. LINDSAY: I am representing the British Columbia tugboat owners.

Mr. WINCH: Strictly tugboats?

Mr. LINDSAY: Yes.

Mr. WINCH: Can you clarify just what you have in mind on page 3 where you say that in British Columbia you must compete with foreign freighters that have taken full advantage of electronics and modern machinery to reduce crews.

Just what is the relationship between foreign freighters and the tugboat industry; we would like to have that information for clarification.

Mr. LINDSAY: There are some examples; two come to my mind. There is the movement of newsprint from Ocean Falls and Duncan Bay by the Crown



Zellerbach Company to Los Angeles. This is moved between Canadian and United States ports. We were beaten out in this trade by a foreign trader. MacMillan Bloedel & Powell River Limited have shipments in the same trade. There are two foreign vessels operating from Port Alberni and Powell River to the Los Angeles area. MacMillan and Bloedel are terminating this charter and building a new deep sea barge to take over this business. They have to compete and they feel that with their new tug and barge unit they can do it cheaper than it is being done by the foreign freighter at the present time. I think they will question this later, but this is the situation right now.

Mr. WINCH: The point is that you want a situation in respect of the tug-boats where you are operating internationally from British Columbia to Seattle, Portland and San Francisco.

Mr. LINDSAY: Our company is so doing. We do ship salt, although normally this is done by a foreign ship. There is lumber shipped from British Columbia to Hawaii and Japan, and this type of business is open to the towboat industry in British Columbia.

Mr. WINCH: Are you saying the tug operations in British Columbia cannot compete with a foreign trader in picking up in British Columbia and delivering in San Francisco or Seattle?

Mr. LINDSAY: We cannot compete in the last two instances I have mentioned. We have not been able to compete. This particular bill does not cover that size of vessel, but what I am endeavouring to say is we have to remain competitive in the towing industry and if they keep putting in legislation and legislation, we are going to be in a position where we cannot be competitive in international trade.

Mr. WINCH: Will a change of one engineer on the tugboat place you in a competitive position with a foreign cargo ship?

Mr. LINDSAY: A change of one engineer on a tugboat will cost a company approximately \$12,000 a year.

Mr. PICKERSGILL: A saving?

Mr. LINDSAY: It will save or cost.

Mr. WINCH: Are you telling the committee that this will make the difference in your being able to compete in international trade?

Mr. LINDSAY: I am saying it is a large amount of money when it is on the net profit or gross profit side; it is a tremendous amount of money.

Mr. BASFORD: While the minister is here, may I ask whether it would help you to remain competitive and get into this foreign business if the shipbuilding subsidy continued?

Mr. PICKERSGILL: I think this is out of order.

The CHAIRMAN: May we please return to Mr. Winch.

Mr. BARNETT: I wonder whether I might ask a supplementary question in the field Mr. Winch opened up. As I understand it you mentioned competition from the Puget Sound area. I take it that this must be the international trade you are talking about; am I correct in that? My understanding is that only ships of British registry can operate within Canadian waters. I wonder whether you could clarify for us just where this Puget Sound towboat competition enters into the picture.

Mr. LINDSAY: I think really there is a great deal of business from British Columbia down to Puget Sound which is in inside waters and where you can use much smaller vessels. There is a great deal of movement of limerock from Texada Island. There is pulpwood shipped from the sawmills to the pulpmills in the Puget Sound area. This is an area where a lot of our boats can operate. The Americans cannot come up and run from Vancouver to Prince Rupert

and we cannot run from Seattle to Bellingham. There is a large trade back and forth. There is no regulation of the United States vessels in this trade such as the regulations which we have in effect right now.

Mr. WINCH: Mr. Chairman, this is our fourth meeting on the Canada Shipping Act amendments. I still think clause 4, to a great extent, basically hinges on the interpretation and meaning of brake horsepower and nominal horsepower. I understand, Mr. Lindsay, you are an engineer.

Mr. LINDSAY: I am not a certified engineer. I worked in the engineroom. I am a mechanical engineer.

Mr. WINCH: You are here representing the British Columbia Towboat Owners' Association.

Mr. LINDSAY: Yes.

Mr. WINCH: I am not worrying about your challenging me in respect of something I said three or four years ago. However, your testimony has to do, to a great extent, with nominal horsepower. May I ask you what is your understanding and interpretation of nominal horsepower? What is nominal horsepower so far the British Columbia Towboat Owners' Association is concerned?

Mr. LINDSAY: It is the diameter of the cylinder squared, in inches, times the number of cylinders, divided by 60. Mr. Cumyn could tell you better than I.

Mr. WINCH: Do you accept Mr. Cumyn's authority for a definition of nominal horsepower?

Mr. LINDSAY: Yes.

Mr. WINCH: Mr. Cumyn, do you have the authority you quoted here with you? You quoted from Dyke yesterday. Do you have it with you?

Mr. CUMYN: Yes.

Mr. WINCH: Would you mind rereading the definition which you used yesterday as the authority? Would you read it for the information of Mr. Lindsay?

Mr. CUMYN: I did not mean this to be taken as my authority.

Mr. WINCH: Then why did you read it to the committee?

Mr. CUMYN: I do not like to be told that I am using something as an authority which I am not using as an authority.

Mr. WINCH: When I questioned you yesterday you said you would like to make reference to this.

Mr. CUMYN: I said that because I wanted to show that the steamship inspection branch is not alone in using nominal horsepower and that it is in fact quite a widely used criterion for purposes of this kind.

Mr. WINCH: Then you quoted Dyke. Would you mind reading what you read to us yesterday?

Mr. CUMYN: It reads:

#### How to Figure the N.A.C.C. Formula

This formula is used by all leading manufacturers and by the license offices in different cities. It represents a comparative horsepower rating for automobiles that is used for taxation and similar purposes. It is not an engineering formula, and does not accurately represent the power actually developed by the engine. The formula is expressed as follows:

$$\text{Horsepower} = \frac{(\text{Diam. in inches})^2 \times \text{number of cylinders}}{2.5}$$

Question: What is the N.A.C.C. horsepower of a four-cylinder engine which has a 4-inch bore?

By referring to the table below, one 4-inch bore cylinder is 6.4 and 4 cylinders of 4-in. bore is 25.6 h.p.

This is arrived at as follows:  $\text{h.p.} = \frac{D^2 N}{2.5}$ .

$D^2$  (diameter squared)  $4 \times 4 = 16$ .

$N$  (number of cylinders) = 4.

2.5 (constant).

Therefore the horsepower is  $\frac{16 \times 4}{2.5} = 64 \div 2.5 = 25.6 \text{ h.p.}$

It will be noted that the stroke of the cylinder was not taken into consideration at all.

Mr. WINCH: Thank you. Do you agree that nominal horsepower is not a scientific method and that it is not anything that will give you the actual power of an engine; do you agree with the definition which has been read?

Mr. LINDSAY: I do not necessarily. I think it is the most nearly perfect thing we have for comparative purposes at the present time. I do not think it is perfect, but I think it is as perfect as anything we have at the present time, and more perfect than brake horsepower.

Mr. WINCH: But you would agree it is not scientific?

Mr. LINDSAY: I would not necessarily agree it is not scientific.

Mr. WINCH: Would you agree that it does not give you the actual power of the engine?

Mr. LINDSAY: I agree that it does not give you the actual power of the engine.

Mr. WINCH: How do you differentiate between your statement that the brake horsepower does not give, and your admission now that nominal horsepower does not give, the actual power of the engine.

Mr. LINDSAY: Did I say that about brake horsepower?

Mr. WINCH: You made that very clear in your statement.

Mr. LINDSAY: Where?

Mr. WINCH: Perhaps it was Mr. Cumyn.

Mr. PICKERSGILL: May I ask a question, Mr. Winch? May I ask if you have read the definition of nominal horsepower in the Canada Shipping Act?

Mr. WINCH: Yes.

Mr. PICKERSGILL: Nominal horsepower is defined in the act itself. I just looked it up while you were speaking. It says:

"nominal horse-power" means the measure of the size of marine engines, ascertained in accordance with regulations made from time to time by the governor in council;

The department, until parliament puts in a new criterion, is bound to use nominal horsepower, and this defines it. We would have to alter the whole scheme of the act, it seems to me, in order to put something else in its place.

Mr. WINCH: Is there also a definition of brake horsepower?

Mr. PICKERSGILL: It is contained in the regulations:

The nominal horsepower of an internal combustion engine shall be computed by adding together the squares of the diameters of the cylinders measured in inches and dividing the result by sixty, except that in



the case of engines where the power is applied to both sides of the piston or where the power is applied to one side of each of two pistons in each cylinder, the divisor of sixty shall be replaced by the divisor of thirty.

Mr. BARNETT: Is that the regulation made by the governor in council?

Mr. PICKERSGILL: This was made in 1958. It is P.C. 1958-1221 of August 28. I understand that brake horsepower is not used in the original act. It seems to me that if we were to introduce a new criterion we could not just introduce it in one section, but would have to introduce it throughout the act.

Mr. WINCH: I am interested in brake horsepower and nominal horsepower. However, going to nominal horsepower, may I ask Mr. Lindsay, if clause 4 as it is now were to be enacted, whether in the tug boat industry you would not require the engineers that are required under the existing act?

Mr. LINDSAY: I say you would require more engineers under the new legislation as it stands than under the old legislation. I might explain this by stating that we are dropping from 10 down to eight nominal horsepower. There are about 80 engineers employed on those boats. We are not required to have them by law. We have them now, but if this legislation passed in this form these men would be guaranteed jobs. There is a possibility of some reduction between 10 and 15 nominal horsepower. I would say there would be a loss of some 12 jobs. Actually, between 8 and 10 we now have engineers on the vessels, but we do not have to carry them by law. We would be forced to do so under the new law.

Mr. PICKERSGILL: What would be the net effect of this? It seems to me that paragraph (c) relieves you of the necessity of having a certified engineer and 2 (a) puts engineers on vessels on which they are not now required.

It is a simple problem of addition and subtraction to find out what the net effect on employment would be as things now stand.

Mr. LINDSAY: I think the net effect would be this. There are 60 engineers working in the industry now, and they have no guarantee of staying there. However, they would then be guaranteed their jobs. But it affects very, very few vessels. I heard a figure mentioned of 12 or 24 men, but I think this is an overrating. I think it is less than that, because many of those engineers could fit into other boats with higher certificates.

Mr. WINCH: I would like now to ask Mr. Cook, arising out of his presentation and position as the representative of the marine engineers of British Columbia, in what way he disagrees with Mr. Lindsay's statement on the effect of unemployment, on the existing situation, and on the change which could be made by this amendment.

Mr. COOK: The figure he uses, naturally, is rather approximate. I do not think at this immediate time it would be too far out of line, but it may have a variance of five or ten. The danger is not to the position now. However, it now seems to be the time to change this for vessels between 8 and 10, or between 10 and 15. They might change engines in the vessels, to engines which now fit into the new aspects of the new legislation, whereupon there would be many jobs lost. You see, all they have to do is to put a high speed engine into it with the same type of horsepower, or probably more if they wanted to do it, and thereby do away with one engineer completely. Many of the vessels with up to and around 15 horsepower, will also be put in the same position.

Mr. PICKERSGILL: Are you talking there about 2 (a) or about (c)?

Mr. COOK: Both, in both instances.

Mr. PICKERSGILL: It could not be done under 2 (a) because 2 (a) extends the requirement to vessels which are not now required to have such an engineer

at all. So it could not possibly reduce any compulsory jobs, because there are no compulsory jobs now.

Mr. COOK: That is very true, but my concern is this: The point you have made is that if it were moved down to this position and you used brake horsepower, which we said should have been used, then it would protect a certain number of jobs which will not be protected under the present bill.

Mr. PICKERSGILL: But a certain number of jobs now are protected.

Mr. COOK: I think those jobs could be removed within a month.

Mr. PICKERSGILL: Under the law there is no requirement for vessels in that category to have an engineer, and if they do have one, it is because they want to have him. We are putting in a requirement that they must have an engineer, when they would not require him under the law as it presently stands. Clause 2 (a) requires classes of vessels to have an engineer which do not presently require one. In other words, we are guaranteeing jobs for a number of certificated engineers which are not now guaranteed by law.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is this 2 (a) as it appears in the 1956 amendment to the act?

Mr. COOK: No, in the proposed legislation.

Mr. PICKERSGILL: Clause 4 of the bill brings a class of vessels under the law requiring a certificated engineer, when previously under the law they did not require one. It may not produce any new jobs, but it will at least guarantee the permanency of those jobs which are not guaranteed now.

Mr. LINDSAY: I can read you 30 names whose jobs would be affected.

Mr. PICKERSGILL: It does not matter how many or how few there are. It is a fact that up to now, if they do have an engineer it is because the union insisted on it, or because the owner thought it was wise, or both.

Mr. LINDSAY: May I make one more comment: we seem to be dwelling on the 765 horsepower class, and the same engineers referred to under the 90 horsepower class which I think we are dealing with, because it happens to be a class used in local waters around Vancouver. A lot of boats of that class would be obsolete and would have to be replaced. I can name \$5 million worth of new construction going on on the coast now for vessels of over 130 feet in length. We are now building \$121 million worth, with 3,500 horsepower, and so are MacMillan and Bloedel, and there is another vessel which has just over 1,300 horsepower.

With all these boats, they are talking about 25 nominal horsepower. I must say that they all require two engineers and a steady watchkeeping. I think we are dealing with something which is a fairly small matter, but it happens to be something very close to the heart of the union under the present situation. But I think that a year from now they will be wondering what we were talking about.

Mr. GRANGER: If I interpret what Mr. Lindsay has said correctly, I assume that the tendency is towards larger boats. Perhaps a lot of fears which have been assumed over the smaller type will have no basis in the future.

Mr. LINDSAY: I think there is a tremendous expansion taking place in the tugboat industry, and a great deal of it will be going into west coast towing, where they are just getting into this area now. These are small boats, and there will be more of them. I think there will be a tremendous increase in the number of tugboats on the coast, and that it will stir up interest in the country about the lack of jobs more than anything else.

Mr. WINCH: If that is the position Mr. Lindsay takes, why does he insist on clause 4 going through as it stands?



Mr. PICKERSGILL: I think to be fair to Mr. Lindsay, it is the government which is suggesting it.

Mr. WINCH: No. I am following Mr. Lindsay's presentation which is right in front of us here and now.

Mr. PICKERSGILL: Mr. Lindsay did not ask us to put in 2(a). He asked us to leave it out.

Mr. WINCH: He endorses it, and says it would be difficult for them if it were not passed. I think I asked him.

Mr. LINDSAY: Our position is this: We support the 10 to 15 nominal horsepower portion which is 2(c). I was not happy with the continued limitation, and I would ask to see it placed at 200 gross tons and not 150. I am against 2(a). With the modern type of new engines, I think it would be a step backward if we tried to put in legislation covering it. That is my feeling. I am not supporting this bill as put forth.

I was asked another question this morning which I would now be pleased to answer.

Mr. PICKERSGILL: I take it that you are very happy about 2(c), but you were not happy about 2(a), this morning.

Mr. LINDSAY: I was not altogether happy.

Mr. HAHN: I shall pass.

Mr. MACALUSO: I think this might be a good time to get an answer to the question which the minister asked this morning. What has Mr. Lindsay to say about it? Would he be prepared to go along with this bill, or would he be prepared to maintain the status quo?

Mr. COOK: We would like to see the status quo held as it is until proper research has been made into the whole area we are talking about, and then to bring in legislation. We would welcome it regardless of whether it hurt us or helped us.

Mr. LINDSAY: I would like to rephrase the question before I address myself to it. I gathered that the minister put to us this morning this question: Do we want section 4 included or withdrawn from the bill?

Mr. PICKERSGILL: Yes, and assuming that is the way it was put in my question, and assuming that you only have two choices, either to leave it in as it stands now, or accept clause 4 as it now is in the bill, which do you prefer? That was my question.

Mr. LINDSAY: Our answer would be that we would like to include clause 4 even as it is stated in the new legislation. I would like to say that we are pleased with your explanation, and that we are greatly interested in the change from 10 to 15 nominal horsepower. My friends of the C.B.R.T. have not opposed this move, or there is no conflict in their brief regarding it. We both are in agreement, and I might say that they are not opposed to our going from 10 to 15 nominal horsepower. We do not want a reduction from 10 to eight. The C.B.R.T. brief wanted it reduced lower than that, but we would rather have that than no legislation.

Mr. MACALUSO: You are referring to research now going on within the Department of Labour. Is that right? You mentioned it this morning?

Mr. COOK: That is a private research program put forth by the Department of Labour.

Mr. MACALUSO: As I understand it, the board of steamship inspectors and this committee dealing with the bill are completely concerned with the safety of life on water, and the labour side of it, as you have stated, is the concern of the Department of Labour. It is my feeling that there should be some liaison between the Department of Transport and the board of steamship



inspectors. If there is no such liaison, I would recommend that there be such liaison set up between the two. Please correct me if I am wrong, but we are solely concerned in this bill with the element of safety. Am I correct that that is still the responsibility of the Department of Transport?

Mr. PICKERSGILL: So far as the Department of Transport is concerned I think we have no proper right to be concerning ourselves with factors other than safety. I think you are quite right. It is the Department of Labour which should consider these questions of employment. The only reason we would suggest any change in the criterion which now prevails is that we think in certain cases the engines will become much more efficient, otherwise we would not have suggested paragraph (c). On the other hand we feel there are certain smaller vessels which did not previously require an engineer which should in a certain situation have an engineer. We say that in certain types of vessels engineers are needed, but they do not need a continuous watch.

In the other case we say there are some ships which Mr. Lindsay would not like to have brought under the act which should be brought under the act. These are matters of concern from the point of view of safety.

Mr. MACALUSO: Let me ask you this: in so far as 4(3) is concerned the department here recognizes the technological elements, and you say you are going to have only one engineer.

Mr. PICKERSGILL: The shipping companies can keep him on if they want to, but he is not compelled to be kept on for safety reasons.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to ask Mr. Cumyn two questions. I notice that in the provision in the new 2(a) under the act which appears in the bill, you have a reference to (b). I was wondering why you used that term in the light of what you told us just now. Is it for the purpose of greater precision of definition?

Mr. CUMYN: No sir. We explain in this marine legislation what we are doing when you bring in a new standard. You might say we are lowering the range to impose regulations on this new category of vessel. You do your best not to hurt existing vessels which have been operating safely for many years. In this case we knew that there are on the west coast a few old tugs that have been operating for a long time with very heavy old fashioned engines that have a comparatively high nominal horsepower, between 8 and 10, and a very low brake horsepower because the rate of revolutions is very low. If we had not put in this 600 brake cut-off we, in effect, would have been telling the owners of these old vessels that have been operating safely for many years without certificated engineers that they would from now on have to carry certificated engineers. So, we had to impose the 600 brake horsepower limit, and this would more or less exempt them from this new requirement because their brake horsepower is in the nature of 300 or 400.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, it was for the purpose of more precision?

Mr. CUMYN: It was for the purpose of exempting these few old tugs.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It was not possible to define their horsepower sufficiently precisely without using the formula of brake horsepower?

Mr. CUMYN: No.

Mr. PICKERSGILL: They have to use both.

Mr. CUMYN: You have to use both because there is a tremendous variation in this area of engines. There are the old fashioned types that have a very high nominal horsepower and a low brake horsepower, and then there are the brand new modern types which have a very low nominal horsepower and a high brake horsepower. The new types will have a nominal of 8 to 10 and a

brake horsepower of possibly 700. The old types have a nominal of between 8 and 10 and have a brake horsepower of 200. So, we were on the horns of a dilemma in this case and, as a result, we were forced to use brake horsepower to cut these particular tugs off and exempt them. We do appreciate we are going to have trouble with this 600 brake power limitation, and we already have. Certain manufacturers have come to us and wanted to know how we were going to rate their engines in terms of brake horsepower, what revolutions were we going to use and so on, hoping we would suggest a low revolution. This is precisely the kind of trouble we are trying to avoid.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I may have misunderstood you in the first place. It says in clause 4 (c):

if the steamship is a tug of not more than one hundred and fifty tons gross tonnage . . .

I gathered from that that this would not eliminate any engineers.

Mr. CUMYN: I did not mean to say that. What I meant was that these tugs are presently required to have a third class engineer on board and, in addition, to carry a fourth class engineer on watch. The third class engineer can take a watch too but, in the case of a two-watch ship you could have the third class engineer on one watch and the fourth class engineer on the other, six hours on and six hours off. What we are proposing to do is to remove the necessity of carrying an engineer on watch. But, this would not remove the necessity for the ship to carry a third class engineer, who would not necessarily remain on watch or stand watch but who would be on board the ship at all times to supervise the general operation and maintenance of the machinery. In other words, we are not going to let the tug operate without an engineer.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, may I direct your attention to the provision that was inserted in the act in 1956; subsection (2) of section 115 was repealed and the following substituted:

Notwithstanding subsection (1), every steamship to which this section applies shall be provided with such number of engineers, duly certificated, as will ensure reasonable periods of watch, having due regard to the length of any voyage, and other related circumstances, and any such additional engineer may be a fourth class engineer, duly certificated, except that . . .

Now, I will read the new paragraph:

if the steamship is a tug of not more than one hundred and fifty tons gross tonnage and powered by internal combustion engines or not more than fifteen nominal horsepower that are fully controlled from the bridge, the minister may, subject to such conditions as he may prescribe, exempt it from the requirements of this subsection when making voyages in waters not more open than would be encountered in a home-trade voyage Class III or an inland voyage Class II.

It would appear to me that this gives discretionary power to the minister to exempt an operator from the provision of subsection (2) which I read out.

Mr. CUMYN: It does, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): So, it is entirely within the discretion of the minister whether or not the steamship shall be provided with such number of engineers, duly certificated, as are necessary.

Mr. CUMYN: To stand watches.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): To stand watches?

Mr. CUMYN: Yes.



Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, in that case it would be possible for this new section to provide the minister with the opportunity of eliminating certificated engineers altogether?

Mr. CUMYN: No.

Mr. PICKERSGILL: Only for standing watches. Perhaps we should have Mr. MacGillivray, who is a lawyer, comment upon this.

Mr. R. R. MACGILLIVRAY, (*Assistant Counsel, Law Branch, Department of Transport*): The requirement to have a third class engineer is contained in subsection (1) of that section, and subsection (2) does not allow the minister to dispense with the requirements laid down in subsection (1).

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I see.

Mr. PICKERSGILL: All the minister can do is eliminate the fourth class engineer or permit them to eliminate him—that is the one who stands watch—if they want to, but we cannot allow them to go without an engineer.

Mr. WINCH: Mr. Chairman, I believe Mr. Cook would like make a comment.

Mr. COOK: Mr. Chairman, I would like to revert to the matter of safety and point out, again, that when the ship building subsidy came in, a large number of towboats were built on the west coast. I would say there were around 60. Of the 60 between 40 and 50 were built within a certain class, which were not covered by the proposed change.

Mr. PICKERSGILL: Which proposed change?

Mr. COOK: It is 4 (c).

Mr. PICKERSGILL: That is, if they are less than 150 tons.

Mr. COOK: They are over 600 brake horsepower but less than 8 nominal.

Mr. PICKERSGILL: But 600 brake horsepower is referred to in 2 (a).

Mr. COOK: Pardon me. At any rate, to allow these vessels to sail—and they have unlimited territory in which to sail—without a man aboard who is capable of handling the mechanical equipment in case of breakdown is putting the lives of the crew members in jeopardy.

Mr. PICKERSGILL: I think you misunderstand. Section 2 (a) is bringing new ships under the act. When I listened to you this morning—and I would like to get this clear because I am sure you and I are talking about the same thing—I thought you spoke differently. Section 2 (a) brings new ships under the act that were not under the act before. I understood you to say at that time it did not go far enough.

Mr. COOK: That is true.

Mr. PICKERSGILL: But, if we drop this section out you would not even have the ones we are bringing in under the act.

Mr. COOK: This is right.

Mr. PICKERSGILL: In other words, we are going at least part of the way you want to go in 2 (a).

Mr. COOK: Yes, but you are not going far enough.

Mr. PICKERSGILL: That is the whole point. If you objected to (c) I would understand because (c) permits these fourth class engineers to be removed. But, I understood you did not object to that.

Mr. COOK: I say, sir, that legislation that does half a job should not be brought in. We are talking about the matter of safety, and I would like to point out there are a large number of vessels that will, in our estimation, be in an unsafe condition on the west coast.

I think the proposed legislation is leaving the door wide open for abuse. Most of the vessels that have been built are in this particular class, and most



of the ones being planned are also in this particular class. They are being built in this way for a particular reason, that is to do away with the necessity of carrying an engineer.

Mr. PICKERSGILL: But, there is no such necessity now. How can you do away with something that does not exist. In this legislation we are not going as far as you want us to go; we are not going the whole distance, and Mr. Lindsay does not like it because we are going as far as we are. But, you say we are leaving a door open. That may be, but what you are asking us to do is to drop it and leave the door open still wider. Or, am I wrong in that assumption?

Mr. COOK: No sir. I am not trying to drop it at all; I am asking you to carry it further and to introduce the matter of the brake horsepower which, incidentally, is introduced in the proposed legislation now.

Mr. PICKERSGILL: You are referring to what Mr. Cumyn said a few moments ago in respect of these old tugs. Do you want that included?

Mr. COOK: I think there are very very few of them in existence at this time and in a matter of a year, in my opinion, they will not even be in existence because they are economically unfeasible to operate. Mr. Cumyn made a statement I was very interested in, when he said that these vessels which did not call for an engineer under this legislation will carry an engineer, though he need not be certificated. The question I would like to ask him is how does the steamship inspection department intend to police such a situation. The steamship inspection department goes on board a vessel once a year and, such being the case, how do they intend to police such a situation in respect of carrying an engineer either by regulation or confidential instruction?

Mr. PICKERSGILL: If the law says you must do it and they break the law it is open to any person to lay a charge.

Mr. WINCH: But you do not capture him.

Mr. COOK: It is a confidential instruction law.

Mr. CUMYN: I do not remember making any such statement to this committee. I presume Mr. Cook is dealing with ships below the 10 nominal horsepower which presently are not required by law to carry a certificated engineer.

I do believe that some time ago when we considered these ships and their operation we did instruct our divisional supervisor to see to it when certificating the ships that, in the absence of any legal requirement, there is on board some person who would be competent to maintain the machinery in place of minor adjustments, though not necessarily a certificated engineer. This, of course, is not a legal requirement under section 115, but it was our feeling that as we were certificating the vessel and are required to see to it that the crew is sufficient and efficient, we should take some interest in having someone on board who is competent to maintain machinery.

Mr. MACALUSO: I have a supplementary question to ask along the line of the remarks by Mr. Cook about the companies going down to 7.8 nominal horsepower.

Mr. Lindsay, what do you say about the suggestion made by Mr. Cook that the owners, when constructing new vessels or putting new engines into old vessels, would go down to 7.8, to use the words in the brief, "to circumvent the legislation that is proposed"?

Mr. LINDSAY: Certainly some operators are going to watch this very closely. There is a pretty thin line between 7.9 and 8.1 nominal horsepower. If one can get the right engine at 7.9, one would be foolish not to do so. We have just finished two 7.8 nominal horsepower vessels. We built 7.8 nominal horsepower vessels because it happened to be a type of engine that we liked, and one tries to standardize for operating efficiency.

Mr. WINCH: You will need one less engineer with the 7.8 engines.

Mr. LINDSAY: No, these boats have certified engineers.

Mr. WINCH: By law you will not have to carry certified engineers.

Mr. LINDSAY: We do not have to do so by law now.

Mr. PICKERSGILL: It seems to me there is a misunderstanding. I find it very easy to understand the objection by Mr. Cook on paragraph (c) because it does commit a ship owner to dispense with an engineer that the law now requires him to carry. But clause 2(a) reduces the horsepower for which an engineer is required from 10 to 8 horsepower. I can understand Mr. Cook wishing to bring it down to 7.5 or 7.6, but I find it hard to understand his objection to it being taken down from 10 to 8, which is travelling in the direction he wishes and in a direction that is opposed by Mr. Lindsay. This is the difficulty I find myself in. We are quite prepared to argue very strongly in parliament to bring it down to 8 nominal horsepower.

Mr. Cumyn has explained why we put the 600 brake horsepower in the legislation. It is in order that the few old vessels with old fashioned engines will not be brought into the net, vessels that have never been required to carry a certified engineer. If they were required to do so now it would perhaps retire them out of business right away. Apart from that, it seems to me that this is a progressive step in the direction in which Mr. Cook is asking us to proceed. If you and the owners and the Department of Labour come along a year from now after your study and recommend a further increase in the downward direction, if both sides are in agreement I think parliament would be very happy indeed to go even further in the direction of safety measures. I hope it will not be suggested that we should not go as far as we are now convinced we ought to go.

Mr. BASFORD: Mr. Lindsay, you say that these 7.8 horsepower towboats that you now have are carrying engineers. You must therefore feel it is necessary to carry engineers for one reason or another. What is wrong, therefore, with making it a legal requirement? Such legislation will not cost you any more money.

Mr. LINDSAY: The situation is that we have to pay a man the same wages whether he is a certified engineer or another body, so you might as well hire the certified engineer. The wage costs will be the same whether we are to have a certified engineer or someone who is not certified. In the hope that we will employ someone who is better trained than the person not certified, we hire certified engineers.

Mr. BASFORD: If you hire them already what is wrong with making it a legal requirement?

Mr. LINDSAY: I do not think it is necessary. I do not think a vessel with that size of engine needs a certified engineer. We could operate these vessels—and other people are operating them—without certified engineers at all.

Our main object is to have the increase from 10 to 15 nominal horsepower. I do not see any reason whatever to go from 10 down to 8, other than to placate a certain group of people.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Did I understand you to say that you would not pay a certified engineer any more than you would pay an uncertified man?

Mr. LINDSAY: No, we would not. This is owing to the union regulations. We have to pay them the same rate. We try to hire certified engineers and the union tries to supply us with certified engineers, but we have some who are not certified.

Mr. MACALUSO: Is that because you cannot get them?

Mr. LINDSAY: It is because we cannot get them or because we have long term employees who have not sufficient education to become certified.



Mr. WINCH: Do you say that you cannot get certified engineers?

Mr. LINDSAY: We have had great trouble.

Mr. WINCH: Mr. Cook, did you say that you have certified engineers available?

Mr. COOK: Right at the moment we have 50 or 60; and Mr. Lindsay knows this very well, I am sure, because less than a month ago we had the same argument before a conciliation board. We gave the chairman of the board a list of the names of the men we had available for employment and their certificate numbers. There were over 50 of them, and there still are over 50 certified engineers available.

Mr. LINDSAY: I do not like to labour the argument, but you will have to realize that the fishing fleet is pretty tied up in British Columbia. Northern transportation and the Mackenzie river will be opening in April, and although there may be men available now who will come and work for a few months, they would then want to go back and work for five months in the Arctic.

When I was talking about this subject I was talking about full time employees. We have 44 jobs in our company for engineers. I checked these figures yesterday. We had 16 new men last year in our company, and 10 left our company last year. This is the rate of changeover. We try to get steady people.

Mr. COWAN: My prime interest in this whole business is safety. Yesterday a witness gave us figures of the number of accidents that have occurred over a certain period of time. I remember asking him if he was splitting this between fresh and salt water voyages. This was when we were discussing lowering the breaking point from 150 tons to 100 tons. One of the witnesses said today that in Puget Sound there is no control of boats below 200 tons. I was sorry to hear that. Are there any comparative accident figures for Puget Sound, where 200 tons is the breaking point, and the Canadian vessels for which the breaking point has been 150 tons and is now going to 100 tons?

Mr. COOK: The United States have just enacted legislation to cover small boats because there were so many accidents in the marine industry. This legislation has just gone through in the past year.

Mr. COWAN: Federal legislation?

Mr. COOK: Yes, it is federal legislation.

Mr. COWAN: Do you say there has been a high accident rate?

Mr. COOK: The accident rate has been very high.

Mr. COWAN: That is what I thought.

Mr. MACGILLIVRAY: The witness to whom you referred was discussing fishing vessels.

Mr. COWAN: I was talking about small boats. It does not matter whether they are fishing vessels or any other vessels; they are small boats.

Mr. HAHN: It is not applicable to clause 4.

Mr. COWAN: It is applicable to Canadians.

Mr. BARNETT: May I ask one or two questions which relate to the proposed clause (c) which has to do with steamship tugs of not more than 150 tons?

I understood Mr. Lindsay to say that he is happy about this because it does increase the nominal horsepower from 10 to 15.

I am just trying to follow the sequence of this situation in the legislation. It is a little complicated here for a layman. We have to refer to three documents. First of all, we have to refer to subsection (1) of section 115 of the



Shipping Act, related to the 1956 amendment of subsection (2) which, as I understand it, we are seeking further to amend.

Just where does this 10 nominal horsepower provision come in? Is that the provision set out in subsection (c) (vii) of section 115?

Mr. MACGILLIVRAY: It is subsection (1), paragraph (1), subparagraph (iii). That is as follows:

(1) if the steamship is a home-trade, inland waters or minor waters ship, other than a passenger ship,

(iii) of more than ten but not more than twenty-five nominal horsepower where the propelling machinery is of any type other than compound steam or turbine engines and the ship is not solely engaged in fishing, with at least one engineer, who shall be at least a third class engineer, duly certificated.

Mr. BARNETT: I did not follow your numbering.

Mr. MACGILLIVRAY: This is the amendment contained in Chapter 32, 1961. It is the last paragraph in that chapter and the last subparagraph in that paragraph.

Mr. BARNETT: In other words, the effect of the proposed new subclause (c) is to provide an exception to section 115 (1) (c) (1). Is that right?

Mr. MACGILLIVRAY: Yes, in the case of tugboats of not more than 150 tons it gives the Minister power to grant the exception from the requirement contained in paragraph (1) subparagraph (3) of subsection (1).

Mr. BARNETT: Most of the discussion so far, Mr. Chairman, has related to the proposed new subsection (2) paragraph (a) of section 115. I wonder if we could have some explanation of why it is deemed desirable to raise it from 10 to 15.

Mr. PICKERSGILL: I think Mr. Cumyn can answer that.

Mr. BARNETT: I may be wrong, but the impression I gained is that we are now dealing with the class of tugboat that would be operating on more open waters and on longer voyages than some of these smaller tugboats that are referred to in this paragraph.

Mr. PICKERSGILL: I do not think it would be more open waters because if you read the last part you will see the definition of "home-trade voyages or inland voyages", so it is merely that they are going outside Canadian waters but in the same kind of waters.

Mr. CUMYN: Paragraph (1) 3 requires that a steamship on the home-trade inland waters or minor waters, other than a passenger ship of more than ten, but not more than 25 nominal horsepower shall be provided with a third class engineer duly certificated. We do not propose to interfere with that requirement. That requirement still stands. Vessels in this category are still carrying a third class engineer. The section we propose to amend is subsection (2) which reads:

Notwithstanding anything hereinbefore contained, every steamship to which this section applies shall be provided with such number of engineers, duly certificated, as will ensure reasonable periods of watch, having due regard to the length of any voyage, and other related circumstances, and any such additional engineer may be a fourth class engineer, duly certificated.

In other words, one subsection provides that a third class engineer shall be carried and the other subsection provides that your ship has an engineer on each watch. If you are running a three-watch shift, then you must carry three

engineers, and one of them shall be a third class engineer and the other two shall be fourth class engineers. If you are running a two-watch shift, you would have two engineers, one of whom would be a third class engineer and the other a fourth class engineer.

We propose to let that requirement which provides for the carriage of a third class engineer stand. We are not interfering with that. However, we are suggesting that the fourth class engineer who stands the other watch might be dispensed with. This would mean that the third class engineer would not stand a watch, but would have the over-all supervision of the machinery. He would be available on call at all times, but he would not stand a regular watch.

Mr. WINCH: Twenty-four hours on call.

Mr. CUMYN: The watch, in effect, would be maintained by the officer on the bridge who would be keeping an eye on the instruments which he has in front of him and which indicate in the engineroom the condition of the bearings and whether or not there is a fire and whether or not the bilge water is out of control, or something like that.

Mr. BARNETT: Could you tell us in layman's language just what kind of trips could be made under this classification; what waters on the British Columbia coast would be involved?

Mr. CUMYN: This relaxation is confined to vessels that make voyages not more exposed than home-trade voyage class III, or inland voyage class II. These are voyages in which a vessel does not go more than 20 miles from shore or 200 miles between ports.

Mr. WINCH: Does 20 miles from shore mean 20 miles west of Queen Charlotte?

Mr. CUMYN: Absolutely. It means twenty miles from any shore.

Mr. BARNETT: I would like to get a picture in my mind of what we are talking about. The class of tug under this proposed arrangement could operate in effect up and down the coast of British Columbia, including from Prince Rupert to Port Hardy, or voyages of that kind.

Mr. CUMYN: Yes, provided at no time it was more than 20 miles from land.

Mr. BARNETT: I wonder whether you could give us an indication of what the minimum sized crew would be in respect of the requirement for a fourth class engineer being on board.

Mr. CUMYN: The answer to that is a rather difficult one and I would like to have it answered by Mr. Jones, who recently was our senior inspector in the port of Vancouver and is very familiar with the tugs in question.

Mr. E. J. JONES (*Steamship Inspection Service, Department of Transport*): The home-trade voyage class III, first of all, is not more than 20 miles from land and not more than 100 miles between ports of refuge. A home-trade voyage class III would not take a boat from Vancouver to the west coast of the Charlottes. It would permit a boat stationed in the Charlottes to proceed not more than 20 miles from land.

In so far as crews are concerned, these vessels of not over 150 tons and between 10 or 15 nominal horsepower normally are manned with six or seven men.

Mr. BARNETT: This is under the present legislation?

Mr. JONES: Yes.

Mr. BARNETT: What if this proposed legislation goes through?

Mr. JONES: It would go from a six man crew to five. I am speaking in generalities now. I do not know the manning of every ship on the coast, but that generally is correct.



Mr. McNULTY: In respect of Mr. Cook's brief, I am wondering what would be the cost of refitting from the nominal horsepower to the high speed engine.

Mr. Cook: I could not tell you the exact cost of this. However, I know it must have been sizeable. Many of the companies are doing this with their vessels. If the hull is in good shape they will take the heavy duty engine out and replace it with the high speed engine. The heavy duty engine may be four or five hundred horsepower, which will require two engineers, and the engine put into it will be 765 horsepower and this will call for no engineer. If they carry this out throughout the whole towing industry, which they probably will have to do because of competition, and if they cannot re-engine their older vessels, they will scrap those vessels and rebuild this type of vessel. Where we have engineers on many types of vessels now, we would not have them at all.

Mr. McNULTY: Would the 30 engineers mentioned who have employment now lose their jobs because of this? Are they men who already are hired?

Mr. Cook: There are more than that who are hired.

Mr. McNULTY: And they would lose their jobs?

Mr. Cook: I could not give you an exact figure, but it would be over 200 if they carried it right through.

Mr. MACALUSO: I would like to go back to my previous statement. Although I can understand Mr. Cook's feeling, because he has to look at the employment situation, I still do not think we are concerned with this. It is the safety aspect of the ships with which we are concerned. That is the reason I previously mentioned there could be a closer liaison between the Department of Transport and the Department of Labour in the research which is going on so they can work together, keeping in mind each others' problems. After listening to the evidence I think perhaps 4(c) to a certain extent is offset by 2(a). I think you might be satisfied with at least half a loaf or three quarters of a loaf rather than none at all.

Mr. Cook: There seems to be an assumption that this consultative program we have set up is a program pertaining to employment. It is not. One of the primary reasons for this is safety. Secondly, we are more concerned with the aspect of safety than we are with the aspect of employment in this particular contemplated change. What bothers me tremendously now is that here we discuss vessels of up to 250 tons with a certain nominal horsepower and we restrict the voyage; we say this vessel can only go so far and if it goes any farther it has to have more engineers aboard. Yet it leaves the door open for vessels of more tonnage than is stated in the other part of the change, with 765 horsepower, to go anywhere with no restriction and no more men aboard the vessel.

Mr. MACALUSO: They do that now.

Mr. Cook: This is true. What we say is if we are to change the act, let us change it and protect all the people in the industry; or if this cannot be done, let us have a research program in the industry with a view to bringing in proposed legislation which will protect the people in the industry. We do not want to protect a few people and leave some people possibly in a position of losing their lives; and this could happen.

Mr. PICKERSGILL: I would like to put a question to you, and then the same question to Mr. Lindsay. Paragraph (c), and only it, not 2(a), would permit the minister under certain conditions to dispense with the need for a fourth class engineer. Have you any basic objection to that? I do not think at any time that you have suggested you have.

Mr. Cook: We do not object to this idea of one man being aboard a vessel that is semi-automated or mechanized, so long as there is someone there capable of looking after the engine, and so long as this covers all vessels. We



do not want to see legislation passed which will cover just a certain number of vessels and leave a large area open at the bottom.

Mr. PICKERSGILL: But you do not object to this at all in principle?

Mr. COOK: No.

Mr. PICKERSGILL: And certainly you do not, Mr. Lindsay?

Mr. LINDSAY: I did object tonnage wise, but I am prepared to forget that.

Mr. PICKERSGILL: I do not think I need ask Mr. Lindsay to answer this question, but to be fair I will put it to both witnesses. If we will not do anything else, would you rather us leave out 2 (a) and leave it at 10 horsepower rather than reducing it to 8 horsepower?

Mr. COOK: No. To go back to my original statement, if you are going to put in changes, bring in changes that cover all the vessels.

Mr. PICKERSGILL: I am the Minister of Transport and I have to take the responsibility for making a recommendation. Unless my officers convince me I ought to do so, I would not be prepared to reduce it from 10 to 8. I am prepared to do that if I am convinced that I should. The fact that the bill is here shows I am prepared to do it. It may be that I should go farther; but if I do not, would you rather I left it alone or went down to 8?

Mr. COOK: Well, that is like asking me if I would beat my wife or something.

Mr. PICKERSGILL: We had the same situation in the House of Commons last night. We are prepared to fix the minimum at \$1.25 and there were some persons in the House of Commons who wanted it made \$1.50.

There were some people in the House of Commons who wanted it made \$1.50, and then they said, if you will not make it \$1.50 we would rather have the \$1.25 than nothing. That is exactly a parallel situation. We are anxious—and I think it is our duty—to do our best, because we think that for safety reasons we ought to have these engineers on these vessels with the nominal horsepower indicated. If we are not prepared to go on and do what my friend wants done do you think we should do it anyway, or do you think we should not do it?

Mr. COOK: I am certainly not going to answer in the affirmative and give the idea that now I have accepted the fact that the figure eight is sufficient.

Mr. PICKERSGILL: No, I would not want to twist your words, but in presenting it in parliament I would say that this does not go as far as you wanted, but that it increases the horsepower to a higher degree than the owners wanted. The consensus of the Department of Transport, which I have accepted, was that we should go at least this far now, notwithstanding the fact that we are not convinced that it should not go farther.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you tell me, Mr. Pickersgill, how many vessels would be affected? Can you give us any idea?

Mr. PICKERSGILL: You mean by reducing it from 10 to eight? Perhaps Mr. Cumyn or Mr. Jones could tell us.

Mr. CUMYN: Twelve vessels would be reduced from 10 to eight out of 600.

Mr. PICKERSGILL: That is the criterion in the bill now. How many vessels would require certificated engineers?

Mr. LINDSAY: I think I have the figures here. Are you talking about vessels reduced from 10 to eight? How many would be involved?

Mr. PICKERSGILL: Yes, how many new vessels would be brought under the act?

Mr. LINDSAY: I have a list of 30 vessels before me which would be brought under 2(a) of the act which are not presently under it.

Mr. COWAN: Is this confined exclusively to the west coast, Mr. Pickersgill?

Mr. PICKERSGILL: You say 23 vessels, Mr. Cumyn.

Mr. LINDSAY: I was in error in what I said.

Mr. PICKERSGILL: You think that 23 is about right?

Mr. CUMYN: Yes, that is right.

Mr. PICKERSGILL: There is a substantial number of vessels which would be brought under the law and required to have certificated engineers which now do not have them.

Mr. COWAN: Does this apply all across Canada, or just to 23 vessels on the west coast?

Mr. PICKERSGILL: On the west coast. As I understand it, this part of the legislation is mainly of concern to the west coast, or almost exclusively so.

Mr. HAHN: I think we have explored the arguments pro and con pretty thoroughly. Therefore I would like to move the question.

The CHAIRMAN: Have members of the committee any more questions?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to ask the minister a question in the light of Mr. MacEachen's answer to me yesterday in regard to the signing of this document by the federal Department of Labour—which I understood from Mr. MacEachen's statement was to be signed today at Vancouver, by the employees and employers and then flown to Ottawa for his signature almost immediately.

In view of the government's reason for subscribing to this research committee and in view the statement that in carrying out this purpose the research committee shall have due regard to the rights, obligations and responsibilities of all parties and shall acquaint themselves with the technical efficiency, the sound and natural relationship, as well as safety for the industry; further, Mr. Pickersgill, in view of the fact that it is not always easy to reopen an act—as I am sure you will agree—and sometimes a government is reluctant to do that in the fear of taking the lid off a can of worms, does the minister think it advisable to delete clause 4, which I gather really does not please either of the two parties who are signatories to this document, until a report is received from the research committee.

Mr. PICKERSGILL: No, I think it would be an admission that I was either incompetent in bringing the legislation down, or that I was careless about safety in withdrawing it. It is quite true that I could withdraw paragraph (c) which would dispense with engineers. Our opinion is that we ought to have engineers on these vessels of eight horsepower—and one of the houses of our parliament has accepted our considered opinion. Now they are only required on vessels of 10 horsepower. There are 23 ships at least which would be involved, which now do not have to have certificated engineers which then will have to have them if this legislation is passed and proclaimed.

I have said it is necessary for safety reasons and I would not sleep very easily in my bed if I had to wait for some investigation to see whether it should be 25, 27, 30 or 35. I have a responsibility, and I am the one who is held responsible for safety.

We have said that in this class of vessels we think that a certificated engineer is necessary; if parliament does not wish to agree with me, I shall accept their direction. But I think I must put it to parliament that I do not think we ought to put this through. Since neither party really objects substantially to paragraph (c), I can see no reason for not putting it forward. That is my considered opinion.

Mr. COWAN: You introduced a piece of legislation regarding community antennae television in the house, and then you withdrew it, because you said you were waiting for a full committee report.



Mr. PICKERSGILL: I do not think that affects safety.

Mr. COWAN: I did not say it did.

Mr. PICKERSGILL: It is my responsibility to deal with safety of life at sea. I am very surprised at the strong stand taken by Mr. Cook in saying that we ought to go further; but I would indicate that he and his friends agree to go at least this far. Therefore I see no reason for not going this far.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understood that Mr. Cook and his colleagues, and Mr. Lindsay and his colleagues have already agreed to accept the findings of the research committee.

Mr. PICKERSGILL: That is quite right, but notwithstanding that fact for quite different reasons neither of them is willing to agree to this in its present form; Mr. Lindsay does not want more ships brought under the regulations or more regularized requirements, and Mr. Cook wants it to go farther. We do think that from the point of view of safety we ought to go this far.

Mr. COOK: May I say one thing. We have agreed in this memorandum of understanding to maintain the status quo until the research results are brought down. The status quo does accept engineers on every one of these vessels we are talking about in the legislation, and within this bill too.

Mr. PICKERSGILL: Therefore all we have to do is to lay down a minimum standard here and we have no objection to the industry going beyond this minimum standard. What we are doing here is not going to affect—according to what Mr. Cook has said—the status quo, because the status quo is not the minimum required but is something above the minimum which is now being observed.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Does Mr. Lindsay agree with Mr. Cook that this was the undertaking between the two parties that they would maintain the present status quo?

Mr. LINDSAY: I am not too familiar with this document and I do not want to speak about it further because I feel that the federal government is rather mixed up in this particular inquiry, but I do not think this should influence any legislation or judgment at all.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It might enable the minister to sleep better at night!

Mr. PICKERSGILL: I have my duties to perform.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Have they agreed to maintain the status quo?

Mr. PICKERSGILL: I cannot allow even my colleague the Minister of Labour, for whom I have the greatest possible regard, to usurp the functions that are mine as long as I am Minister of Transport. He is talking here only about transportation arrangements, and not about minimum standards which under certain conditions are to prevail. It may be that all parties will recommend higher minimum standards than at the present time, and I am prepared to recommend that if they do, I think it very unlikely that we would not recommend them to parliament, even at the risk of reopening the act, about which I have been reminded. This section has not been opened since the statutes were revised a few years ago.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It was in 1952, as I recollect.

The CHAIRMAN: It is moved by Mr. Macaluso and seconded by Mr. Hahn that clause 4 be carried. Are you ready for the question?

All those in favour? Those against?



I declare clause 4 carried.

Shall the title carry?

Carried.

Shall Bill No. S-7 carry?

Bill No. S-7 as amended carried.

Shall I report the bill as amended?

Agreed.

Mr. PICKERSGILL: I wonder if you might permit me to say that my education in this matter has been considerably enlarged by the experience of the committee, and I thank you for the good will you have shown me. I hope we may have the same good will in the house.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I suggest you sleep well tonight, Jack!

The CHAIRMAN: I want to thank the witnesses, Mr. Cook, Capt. Meadows, representatives of the tugboat owners, Mr. Cliffe, Mr. Lindsay and the officials of the Department of Transport, including the minister, for taking part in this discussion. Thank you very much.

It is now understood that we shall meet on Tuesday to consider the pipe line bills in room No. 371 at 10 o'clock. On Thursday we shall meet to consider the railway bill, C-120, and to hear officials of the Department of Transport. Thank you very much.

## APPENDIX "A"

CAMPBELL, GODFREY &amp; LEWTAS

Barristers &amp; Solicitors

Toronto 1, Canada

February 24, 1965.

Airmail Special Delivery

Mr. A. Plouffe,  
Chief Clerk of Committees,  
Committees and Private Legislation Branch,  
House of Commons,  
Ottawa, Canada.

Dear Mr. Plouffe:

*re: Bill S-7*

I would confirm my telephone advice to you of this morning that our client, Upper Lakes Shipping Ltd., *does not intend to file a brief with respect to the above-mentioned Bill* with the Standing Committee on Railways, Canals and Telegraph Lines. I apologize for any inconvenience that our delay in so advising you may have caused.

Yours truly,

Signed (R. V. Sankey)





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1965

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

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TUESDAY, FEBRUARY 23, 1965

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Respecting

BILL S-41, An Act to incorporate Mountain Pacific Pipeline Ltd.

BILL S-43, An Act respecting Canadian-Montana Pipe Line Company

BILL S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company.

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INCLUDING THE SEVENTH REPORT TO THE HOUSE

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WITNESSES:

Mr. Joseph H. Konst and Mr. Gordon Henderson, Q.C., *Parliamentary Agents*, Ottawa, Mr. Peter C. Bawden, President, *Peter Bawden Drilling Company*, Calgary, and Mr. Louis S. Stadler Vice-President, *Canadian-Montana Pipe Line Company*, Calgary.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

and Messrs.

Addison	Greene	Matte
Armstrong	Grégoire	McBain
Balcer	Guay	McNulty
Barnett	Gundlock	Millar
Basford	Hahn	Mitchell
Beaulé	Howe ( <i>Wellington-</i>	Muir ( <i>Lisgar</i> )
Berger	<i>Huron</i> )	Nugent
Boulanger	Irvine	Olson
Cadieu	Kennedy	Pascoe
Cameron ( <i>Nanaimo-</i>	Kindt	Pugh
<i>Cowichan-The Islands</i> )	Korchinski	Rapp
Cantelon	Lachance	Regan
Cantin	Laniel	Rhéaume
Cooper	Latulippe	Rideout ( <i>Mrs.</i> )
Cowan	Leblanc	Rock
Crossman	Lessard ( <i>Saint-Henri</i> )	Southam
Crouse	Lloyd	Stenson
Fisher	Macaluso	Tucker
Foy	Macdonald	Winch—60
Godin	MacEwan	
Granger	Marcoux	

(Quorum 12)

D. E. Levesque,  
*Clerk of the Committee.*

Messrs Kindt and Macdonald replaced Messrs Horner (*Acadia*) and Mackasey on February 22, 1965.

## ORDERS OF REFERENCE

THURSDAY, February 18, 1965.

*Ordered.* That the following Bills be referred to the Standing Committee on Railways, Canals and Telegraph Lines:

Bill S-41, An Act to incorporate Mountain Pacific Pipeline Ltd.

Bill S-43, An Act respecting Canadian-Montana Pipe Line Company.

Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company.

MONDAY, February 22, 1965.

*Ordered.* That the names of Messrs. Kindt and Macdonald be substituted for those of Messrs. Horner (*Acadia*) and Mackasey on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND,  
*The Clerk of the House.*



## REPORT TO THE HOUSE

WEDNESDAY, February 24, 1965.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present the following as its

### SEVENTH REPORT

Your Committee has considered the following Bills and has agreed to report them without amendment:

1. Bill S-41, An Act to incorporate Mountain Pacific Pipeline Ltd.;
2. Bill S-43, An Act respecting Canadian-Montana Pipe Line Company;
3. Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company.

A copy of the Minutes of Proceedings and Evidence relating to the said Bills (*Issue No. 11*) is appended.

Respectfully submitted,

JEAN T. RICHARD,  
*Chairman.*

(Presented this day).

## MINUTES OF PROCEEDINGS

TUESDAY, February 23, 1965

(25)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10:05 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Armstrong, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cantin, Cowan, Crossman, Foy, Granger, Gundlock, Kindt, Laniel, Lessard (*Saint-Henri*), Leblanc, Lloyd, Matte, McNulty, Nugent, Olson, Richard, Rock, Southam, Tucker, Winch (24).

*In attendance:* Mr. Joseph H. Konst and Mr. Gordon Henderson, Q.C., Parliamentary Agents; Mr. Peter C. Bawden, President, Peter Bawden Drilling Limited; Mr. Gus A. Van Wielingen, Vice-President, Northern Pacific Pipeline; Mr. Peter Jaffrey, Vice-President, Dominion Securities; Mr. Louis S. Stadler, Vice-President, Canadian-Montana Pipeline Company.

The Chairman introduced Bills S-41, S-43 and S-47.

*On Bill S-41, An Act to incorporate Mountain Pacific Pipeline Limited:*

The Chairman called the Preamble and asked the sponsor, Mr. Deachman to introduce the Agent. Mr. Henderson explained the Bill and answered questions.

Clauses 1 to 11 inclusive were adopted.

The Preamble carried.

The Title carried.

The Bill carried.

Mr. Laniel moved seconded by Mr. Matte,

*Resolved:* That the Chairman Report the Bill without amendment.

*On Bill S-43, An Act respecting Canadian-Montana Pipeline Company:*

The Chairman called the Preamble and Mr. Konst explained the purpose of the Bill.

The Committee proceeded to the questioning of the witnesses.

Clause 1 carried.

The Preamble carried.

The Title carried.

The Bill carried.

Mr. Foy moved seconded by Mr. Lessard (*Saint-Henri*),

*Resolved:* That the Chairman Report the Bill without amendment.

*On Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company:*

The Chairman asked Mr. Konst to explain the purpose of this Bill.

Clause 1 carried.

The Preamble carried.

The Title carried.

The Bill carried.

Mr. Leblanc moved seconded by Mr. Nugent,

*Resolved:* That the Chairman Report the Bill without amendment.

At 11.20 o'clock a.m. the Committee adjourned to the call of the Chair.

D. E. Levesque,  
*Clerk of the Committee.*



## EVIDENCE

TUESDAY, February 23, 1965.

The CHAIRMAN: Mrs. Rideout and gentlemen, we have before us this morning three bills, Bill S-41, to incorporate Mountain Pipe Line Limited, Bill S-43, respecting Canadian-Montana Pipe Line Company, and Bill S-47, respecting the Burrard Inlet Tunnel and Bridge Company.

I will call the first bill, Bill S-41. The sponsor is Mr. Deachman and I will ask him to introduce the parliamentary agent.

Mr. DEACHMAN: The parliamentary agent who will be acting for the company will be Mr. Gordon Henderson.

Mr. GORDON HENDERSON Q.C. (*Parliamentary Agent*): Mr. Chairman, ladies and gentlemen, may I introduce the persons who are primarily responsible for the undertaking, and ask Mr. Bawden, who has been working actively in association with it, to say a few words about it. Mr. Bawden, who is on my immediate right, is the president of Peter Bawden Drilling Limited, a company that has been carrying on business in Calgary for some years. Mr. Bawden is a resident of Calgary and a Canadian citizen. He has been active in the petroleum industry in Canada and elsewhere since 1952. Since Mr. Bawden has been actively working on this undertaking for the last two years, I believe he would be best able to answer your questions and to deal with the matter in detail. On Mr. Bawden's immediate right is Mr. Gus A. Van Wielingen who is an engineer and who also, I may say, is a Canadian citizen, resident ordinarily in Calgary. He has had 17 years' experience in the petroleum industry, particularly in natural gas and various petrochemical problems. He has been associated for six years with the J. C. Sproule Engineering Company specializing in oil and natural gas. He was also an adviser to the royal commission on energy.

Gentlemen, here are the two individuals primarily interested in this project, and I would ask Mr. Peter Bawden if he would introduce the subject to you, and we will then seek to answer any questions you may put to us.

The CHAIRMAN: I will call the preamble and ask Mr. Bawden to speak.

Mr. PETER C. BAWDEN (*President, Peter Bawden Drilling Limited*): Mr. Chairman, hon. members, it is a pleasure to be here today to give you a brief summary of the Mountain Pacific Pipe Line project. The simple object of our plan involves construction of an eight inch pipe line from west central Alberta to the west coast of Canada. This pipe line will start from Edson, Alberta, and move by the Yellowhead route down through the central part of British Columbia to terminate in the Vancouver area. The simple object of the line is to move under pressure natural gas liquids. These liquids would come from wet gas fields in central and western Alberta. Natural gas liquids of which I am speaking consist of ethane, propane, butanes and some pentanes. In extracting these liquids from wet gas fields we would be extracting from wet gas streams which presently are carrying these liquids. However, they are carrying them in the form of vapour, that is in the form of natural gas, to markets in the United States. When the field plants in the individual gas fields extract these liquids, they, of course, come out in the liquid phase, and it is our plan to move them in the liquid phase to the west coast. In other words, this is a liquids line, not a vapour line; it is not in any way related to crude oil. Therefore, it does not duplicate any existing transportation system over the route envisaged.

I might clarify by saying that the liquids being extracted are presently being moved to the fuel markets in the United States. The markets that we envisage are primarily in the Pacific area, and more specifically in Japan. It would be our intention to make any product that could be sold available along the pipe line route through British Columbia and also on the west coast of Canada.

The Japanese market is a very rapidly expanding one in a very dynamic country. Their fuel needs are almost insatiable. However, it is very important that, if Canada is to supply any part of this market, we do so immediately because the fuel policy and contractual arrangements which are presently being formulated in that country could well exclude Canadian products if we do not move quickly to take advantage of the present situation.

I might say that Mr. Van Wielingen and I have made many trips to Japan in the past 18 months. We feel that this is a natural market for some of Canada's petroleum output.

The principals involved in this company at the present time are limited to Mr. Van Wielingen and myself. We are both Canadians and we feel very strongly that this is a unique opportunity for us as Canadians to proceed with such an endeavour.

The cost of this project is estimated at \$42 million. In the course of our work we have made contact and worked with Dominion Securities, one of Canada's leading financial organizations. They have assured us that, subject to completion of the contractual arrangements which we are presently negotiating, the project is financible.

The timing of this development is as follows: We must, following incorporation of the company, move before the conservation board of Alberta and thence to the national energy board here in Ottawa. It will be the duty of the national energy board to consider, in great deal, questions of product supply, marketing contacts at the other end, and, of course, a detailed consideration of our financing plan. It is our intention to commence construction of the major pipe line at the gathering system early in 1966 so that we can supply the Japanese market by the winter of 1966-1967. I might add that they are experiencing a terrific shortage of these products in this current winter, and we are most anxious to be in a position to fulfil this need during the winter of 1966-67.

Having given you this very brief summary, I would like to say that I have a small but competent group here which is capable of answering any questions. We will be very happy to attempt to answer any questions that you might wish to ask.

Mr. WINCH: Mr. Chairman, there are three questions that I would like to ask at this time, and I will ask them all together now.

In view of the statement made by Dr. Bawden that only he and Mr. Van Wielingen are concerned I wonder why Mr. Van Wielingen's name does not appear in the incorporation document.

My second question is addressed to Mr. Bawden. Do you have any provisional contracts for the export of ethane and propane to Japan?

My third question is whether there is any type of guarantee, in your request to the House of Commons for incorporation, that there shall not be a recurrence of past experiences of shares being put in escrow and made available to the originators or the founders at a lower price than the stock market value?

Mr. BAWDEN: Mr. Chairman, I am happy to answer these questions.



Firstly, as far as Mr. Van Wielingen's participation in this company is concerned, at the time that we made our original application for this bill Mr. Van Wielingen was not an employee of the company. Being an employee of another firm at that time he was not available to join us when we made our original application.

In reply to your second question regarding the matter of provisional contracts, I would like to say at this time that our marketing arrangements and contracts are at an advanced stage of negotiation. I am unable to report that we have actually concluded and signed contracts at this time.

Regarding the question of options on escrow stock being made available to employees, we have, at this time, made absolutely no promises and no commitments in this regard. It is our intention to follow a most conservative policy in the financing of the company. We have been very careful to avoid any such commitments. It is not our intention to follow through on the issue of stock to employees in any way that could be considered unreasonable or bring special benefits to the individuals concerned.

Mr. WINCH: Would you put that in the act?

Mr. HENDERSON: If I may comment on this, Mr. Chairman, we do not want to put into the act any restrictions that would make it impossible to carry on financing through Dominion Securities. However, we would be prepared to give whatever assurances may be necessary or to put in the act whatever wording is necessary to ensure—

Mr. WINCH: But, Mr. Chairman, I want it understood. I am not questioning how it is financed. As you know, we have experienced this lack of protection over the years in respect of various pipe line and oil companies and I want to be sure that in connection with this bill we have the protection that we have not had in the past. I want to ensure that a few hundred thousand or even a million shares cannot be bought by the promoters at a price which is an absolute give away and then, because there is no capital gains tax in Canada, they would be allowed to make millions of dollars.

Mr. HENDERSON: As I said, Mr. Chairman, this is not the intent and we would consider having included any reasonable wording to that effect. As I said, it is the intent of the company to do its financing through Dominion Securities and to carry it out on a conservative basis without any attempt at all to derive benefits as have been suggested. Certainly, any reasonable wording which would have that effect would be considered by the sponsors.

Mr. BAWDEN: Mr. Chairman, I can assure the hon. member that it is absolutely and completely beyond the intent of our group or myself to participate in the way that has been suggested. I think it would be unreasonable that vast millions of dollars would accrue to any individual.

The CHAIRMAN: Are there any other questions?

Mr. KINDT: Mr. Chairman, let us nail this particular feature down. As you know, there has been a lot of discussion in the past because of the Trans-Pacific Pipe Line, the Tanner deal and others. We have had manipulation of shares by the promoters.

I think promoters certainly are deserving of something and that they should be well rewarded for their efforts in promoting these pipe lines, otherwise we never could have these corporations established. But, on the other hand, there has to be some safeguard for the public, and this will have to be written into the bill before I pass it. I want to know how much is going to come out of financing. I approve of the statements made by Mr. Winch. I am 100 per cent behind the establishment of this company but I want this bill handled in such a way that the public is protected.

The CHAIRMAN: Does any other member wish to comment on this?



Mr. ROCK: Mr. Chairman, perhaps some members would like to know in advance the financial standing of these two gentlemen in order that it will be known what their standing will be later on.

Mr. WINCH: No, Mr. Chairman; I will accept the statement made, that a proper bill is before us. I want to make sure—and I presume that the people who have been spoken to feel the same—that we are not going to have a repetition of what we have had in respect of some companies in the past.

The CHAIRMAN: Shall we proceed with clause 1?

Mr. KINDT: Mr. Chairman, before doing that, what procedure would be necessary to include this kind of thinking in the bill before it goes on to the floor of the house?

Mr. ROCK: This is the place to do that.

Mr. NUGENT: Mr. Chairman, the value of the shares is set down in the bill. The public, which might be interested in buying shares, is protected by the various securities commissions in the provinces, and I cannot see any practical way by which this committee can determine how much profit one should be able to make in putting together a venture of this magnitude.

I can understand Mr. Winch's concern. However, I think we should take into account the fact that there is a securities commission; their job is to protect the public. The share value is set down in the bill. I think it would be impossible for us, and certainly it is not our function, to say how much profit shall be made.

We should bear in mind that this is a highly competitive industry. Other than having the assurance of these gentlemen there is really no practical way that we as a committee can do more. If we try to do more I think we would be setting ourselves a hopeless and impossible task and delving into something that really is not our business.

All we are doing is giving these gentlemen the right to form a company. They have to satisfy the Alberta energy board and they have to satisfy the national energy board. They have to be in conformity with the laws of the securities commission and so on. We have the assurance of Mr. Bowden, who is a well-known and reputable businessman in Alberta, and I think that is as far as can go, if we want to proceed in a practical way.

Mr. WINCH: Yet, Mr. Chairman, Mr. Bawden himself said that in view of the historical past he would be prepared, if wording could be found, to have it included in the act.

Mr. NUGENT: That is the part that bothers me. I think we could look for weeks and not find a practical way of expressing that.

The CHAIRMAN: Are there any other comments?

Mr. KINDT: Mr. Chairman, with all due respect to Mr. Nugent, I am not prepared to say that this committee has no power. If we have not the power to deal with a matter of that kind and incorporate something into this act to cover it there is something wrong with this committee and we had better rise and call it a day.

Mr. Chairman, I would like you to ascertain the wishes of this committee in respect of what should be done concerning public protection. I am not accusing Mr. Bawden nor the president of the company because they are the most honourable men in western Canada, and I am 100 per cent behind them. I just want to be assured that the public is not going to be left unprotected, and if we cover that in the act it should make the question of financing much easier, the organization of the company much easier, and I am sure that everyone will be more satisfied. That is the reason I state, in spite of what Mr. Nugent said, that something should be put in the act for the benefit of everyone.

The CHAIRMAN: Mr. Kindt, if you have any suggestions to make I think you should put them in the form of an amendment. I think either you or Mr. Winch should do this. Surely you do not expect the chairman to suggest an amendment to this bill.

Mr. WINCH: This would entail very careful legal terminology. I understand that Mr. Bawden has a most competent staff with him today; perhaps his staff could make a suggestion to meet the proposition which has been put forward.

Mr. NUGENT: Mr. Chairman, I suggest it is very unfair to ask these people who have come here to do this. They already have been assured that everything is in order. The bill has gone through the Senate and it has been checked by the law officers. In my opinion, they should not be faced at this time with such an uncomprehensible task as has been suggested to satisfy these two gentlemen.

As I said, Mr. Chairman, there is no practical way of doing this. I think the Chairman was being very fair when he suggested that these gentlemen put forward a specific amendment. Perhaps they could show us a practical way of doing it. I am willing to listen. But, as I said, I do not think it is fair to ask the witnesses to come forward with a wording to cover this.

Mr. WINCH: Mr. Chairman, may I say that I am wholly in support of the idea behind this bill. I hope it goes through. But, I think at the same time we have to ask for certain protection and, as I stated earlier, we have been assured by Mr. Bawden that he would like to meet our objections.

The CHAIRMAN: Well, it is not my wish to speak on this matter but I am inclined to believe that, unless someone has studied this matter and has found that it is within the competence of this parliament to regulate the issue of securities, this is primarily under provincial control. In my opinion, it would be very difficult for members of this committee to consider any general suggestion. However, a specific suggestion might be entertained, and if someone would put a suggestion forward I would welcome it. But, as Mr. Nugent stated, this would be more a matter for provincial securities commissions than any powers given to the house in respect of these bills.

Mr. GRANGER: Mr. Chairman, do I understand from Mr. Nugent that there are provisions in other legislation to cover the questions raised?

Mr. WINCH: There was not, and that is the problem.

Mr. FOY: Mr. Chairman, I would agree with Mr. Nugent in this respect; it is very unfair for this committee to subject the principals who are here to this kind of questioning. I believe when you incorporate a company such as this you follow a standard pattern. Any advice comes from the securities commission and other bodies and, in order to incorporate a company, you have to go along with the laws not only of the federal government but of the provincial government, which is involved here, and the securities commission in a particular province is a part of that. They have used standard procedure in setting out the stock arrangement. This is the way a corporation is formed. If there is a need for a change in the legislation it should not come before the committee at this time just to satisfy certain members of the committee.

Mr. BASFORD: Mr. Chairman, further to the question put by Mr. Granger, when a company initially invites the public to participate it has to set out in its prospectus any preliminary financial arrangements it has entered into which, I am sure, would provide an answer to Mr. Winch's question. The public would have to be made aware of any arrangements made and prospective investors would know of any such arrangements.

The CHAIRMAN: Are there any other comments?

Mr. KINDT: Mr. Chairman, is that not the procedure that has been followed in the incorporation of all pipe lines? I am thinking of Trans-Pacific Pipe Line Company, Canada Pipe Line and many others.



Mr. WINCH: Trans-Mountain is a bad example.

Mr. KINDT: Mr. Chairman, I believe we will be leaving an open end if we do not provide a little more protection for the public. I would like to repeat that, in my opinion, most of the people, myself included, are 100 per cent behind the building of this pipe line. I would like to see the people of Alberta invest in this pipe line, but I want to be assured that there is not someone sweeping up, like Mr. Tanner. I would like to see the people of Alberta deriving benefits from this pipe line, as well as Mr. Bawden and the others who are promoting it. I think that in the long run it would be in their best interests if this additional protection was given. If this was done the public would have some protection which they do not have at the present time. But, if we do nothing about this at the present time and the bill goes through, and is written in such a way that these people who are associated with it at the expense of the public take an undue share, I would be very unhappy. As I said, I think the public should be protected in some way.

Mr. BASFORD: Mr. Chairman, I think the public is sufficiently protected under the various securities acts. I think Dr. Kindt is trying to impose upon this one particular company certain restrictions in respect of the issuance of its share capital which no other company would have. It seems to me it is unfair to put restrictions on this one company.

If Dr. Kindt is unhappy with the company or security laws of the country, he should make appropriate amendments to those laws and not to this particular act. It would seem to me it is completely unfair to put specific and peculiar limitations on this one company when no other company has similar restrictions.

Mr. LLOYD: I would like to say in general that if you propose to limit the powers of a private bill applicable to a particular company, I think you should indicate specifically the reasons and not express them in too general terms. Otherwise you are singling out this particular company for special legislative action. If there is anything in this bill which tends to overcome any other legislative enactment, then this should be pointed out specifically, and if Dr. Kindt could do so, then I think what he is talking about might have some merit. However, I think the onus should be on him to point out how this bill avoids the restrictions which exist in other legislation such as the securities act or the Companies Act, as the case may be. If we could have that information, then we might have some comprehension concerning what Dr. Kindt is discussing.

Mr. KINDT: Coming from western Canada as I do, I well recall the feeling among the people with regard to the profits made from promoting pipe lines. Here is a bill which all of us are behind—at least I am—and I would like to help these persons get it established. I would also like to see their proper public relations started off right. It is this fear on the part of the public that somebody in the corporation is going to take a big slice out of it that will keep the money from being invested which should come from Alberta to help build the pipe line.

We want these developments to take place in the west. There is something inherently wrong in the articles of incorporation, or elsewhere, of this particular bill if something cannot be inserted in the bill before it passes parliament; in other words, an intention or some such thing. I see no harm in including that. I support Mr. Winch in his suggestion.

Mr. OLSON: Mr. Chairman, I think it is completely unfair to draw a parallel between this bill and the Trans-Canada Pipe Lines, for example. Certainly, both are pipe lines, but there the similarity ends. In respect of the Trans-Canada Pipe Lines, there the similarity ends; a lot of other arrangements were made, including a certain amount of government financing for certain sections of the pipe line that are not being requested in this bill at all. The movement of LBG from Alberta to the Pacific coast is going to be a highly competitive business.



There is no competition for the Trans-Canada Pipe Lines in moving gas from Alberta to the eastern market. In addition this pipe line will have the problems of building and maintaining markets so that the company can be profitable, quite apart from not having more or less a monopoly on the movement of the fuel.

I just wish to say that I think drawing this kind of a parallel and using it as a reason is not a fair argument at all.

The CHAIRMAN: Are there any other comments? If not, I would be inclined to suggest that we should proceed to clause 1, unless at the proper time someone is willing to introduce an amendment.

Clauses 1 to 5 inclusive agreed to.

On clause 6.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice that this clause includes authority to own, lease, operate and maintain inter-station telephone, teletype, telegraph and microwave or television communication systems and subject to the Radio Act, and any other statute relating to radio, microwave or television, own, lease, operate and maintain interstation radio, microwave or television communication facilities.

Could Mr. Bawden explain this? This is not an ordinary radio television station that is proposed; it is just interstation for your own communications?

Mr. NUGENT: It is a standard clause. It is a problem of supervising and maintaining the safety of the line and their own communications along the line.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then you also have provision to purchase, hold, lease, sell, improve, exchange or otherwise deal in any property and may subdivide the same into building lots and generally lay the same out into lots, streets and building sites. Am I right in presuming that this is the provision for the building of what used to be known as a company town or settlement for the employees of the company.

Mr. BAWDEN: Yes, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is not the intention to embark on an investment for speculation or promotion?

Mr. BAWDEN: No.

Mr. COWAN: Mr. Cameron referred to the power to maintain an interstation telephone. That will give the Bell Telephone Company the right to invest in this firm because they are maintaining a telephone there. Like the Northern Electric, it is not going to be a subsidiary of Bell, is it?

Mr. BASFORD: Mr. Cowan will want to know whether they are going to have a British network or a French network.

Clause agreed to.

On Clause 7—*Section of the Companies Act to apply.*

Mr. LLOYD: Mr. Chairman, before you go beyond clauses 7 and 8—I apologize for being late because the explanation to this may have been given—I would like to know from the witnesses the explanation of why they wish that the sections recited in clauses 7 and 8 be inapplicable to their particular company. What is the reason that you wish to avoid the application of these particular sections of the Companies Act?

Mr. HENDERSON: May I answer that shortly by saying that in clause 7 you find a group of sections which have been excepted because they were considered to be inapplicable to a company incorporated by a private act as opposed to a

company incorporated under the Companies Act. These have been excepted because of the very nature of the statute we are seeking; not for any special purpose, but because the present provisions are, by their nature, inapplicable.

These sections were gone over very carefully and a check was made in respect of their applicability. I may say that we have followed a previous bill which has now been enacted; that is, the Polaris bill which gave these sections a great deal of consideration. After looking at the various sections we ended up by following the exact format of the previous statute. In the Polaris Act you will find these excepted in exactly the same way they are here. The short answer is that they are out because of their inapplicability to a private bill.

Mr. LLOYD: Is the fact that this was done in a previous bill the only reason?

Mr. HENDERSON: No. As I say, the reason is they are inapplicable to a bill of this type, and the precedent is a previous bill.

Mr. LLOYD: What do these sections require of ordinary companies incorporated under the Companies Act that you will not be required to do?

Mr. BASFORD: Mr. Lloyd is a chartered accountant and I thought he would know this.

Mr. LLOYD: Mr. Lloyd is a member of parliament sitting with his colleagues who represent a variety of professions. I suspect that most of us do not know the provisions of the various acts.

Mr. NUGENT: Would it help if Mr. Lloyd was reminded that this bill went through the Senate and the law clerk of the Senate put his stamp of approval on it?

Mr. LLOYD: We have a responsibility which is different from that of the Senate, and when a witness appears before a committee of this nature with a private bill asking that certain provisions of the Companies Act not apply to a certain company, I would expect that he would anticipate that we would ask him for an explanation of why these particular sections should not apply.

Mr. HENDERSON: May I take as an example section 14 (2) of the Companies Act. It reads:

The company shall from the date of its letters patent become and be vested with all property and rights, real and personal, theretofore held for it under any trust created with a view to its incorporation.

That is inapplicable in this case. There is no such trust. Had there been, we would have explained the details and this would not have been out.

Section 12 (7) reads:

Where the authorized capital of a company consists, in whole or in part, of shares without nominal or par value the paid up capital of the company shall, with respect to those shares, be an amount equal to the aggregate amount of the consideration received by the company for such of those shares as are issued, exclusive of such part of such consideration as may be set aside as distributable surplus in accordance with the provisions of this part or as may have been lawfully set aside as distributable surplus before the 1st day of October, 1934.

This has no particular meaning to this particular type of company. We have our non-par value provisions set out in detail. In other words, there is no need for that particular provision, nor is there for subclauses 8 and 9 which I will read:

(8) Each share of the capital stock without nominal or par value shall be equal to every other such share of the capital stock subject to the preferred, deferred or other special rights or restrictions, conditions or limitations attached to any class of shares.

(9) Every certificate of shares without nominal or par value shall have plainly written or printed upon its face the number of such shares which it represents and the number of such shares that the company is authorized to issue, and no such certificate shall express any nominal or par value of such shares.

This is the type of provisions which have been excluded. I may take section 15:

(1) A company shall not make any loan to any of its shareholders or directors or give whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with, a purchase made or to be made by any person of any shares in the company.

That is another provision which has been excluded.

Mr. LLOYD: It has been excluded from this bill.

Mr. HENDERSON: That is correct.

Mr. LLOYD: Why would you exclude it from your bill; what is the reason the general law should not apply with respect to this company? This is in respect of a loan to a shareholder.

Mr. HENDERSON: That is correct.

Mr. LLOYD: Why would you wish to have this excluded from your act?

Mr. HENDERSON: I only read the major part of it. Then there are several exceptions to that. I may say there are two reasons; one is that it has been the custom in the past to exclude it and, second, so far as we are concerned, we saw no particular purpose in that section from the standpoint of this company.

Oh, I have been misspeaking about the ones which are excluded, I am reminded by Mr. Konst. You are perfectly right; they are not exactly the ones excluded by 153 and 155 and so on. You and I have been misspeaking, and I apologize.

Mr. LLOYD: Otherwise I would have asked to suspend all discussion of the bill.

The CHAIRMAN: Does clause 7 carry?

Clause 7 agreed to.

We are now on clause 8.

On clause 8.

Mr. LLOYD: Let us get to the exclusions.

Mr. HENDERSON: I apologize for taking up your time. Section 153 of the Companies Act reads as follows:

To manage company.

153. The affairs of the company shall be managed by a board of not more than nine and not less than three directors. 1934, c. 33, s. 149.

Section 154 reads as follows:

Provisional directors.

154. The persons named as such, in the special act, shall be the first or provisional directors of the company, and shall remain in office until replaced by directors duly elected in their stead. 1934, c. 33, s. 150.



Section 155 reads as follows:

Qualification of subsequent directors.

155. No person shall be elected as a director unless he is a shareholder owning shares absolutely in his own right, and not in arrear in respect of any call thereon; and the majority of the directors of the company so chosen shall, at all times, be persons resident in Canada, and subjects of Her Majesty, by birth or naturalization. 1934, c. 33, s. 151.

We have a special provision in the act to the effect that we must be Canadians. If you will look at clause 2, subsection (2), it reads:

2. (2) No person shall be elected as a director unless he is a shareholder owning shares absolutely in his own right, and not in arrear in respect of any call thereon; and the majority of the directors of the company so chosen shall, at all times, be persons resident in Canada and Canadian citizens.

So you see we have especially provided for this in our own bill.

Mr. LLOYD: For the majority of directors?

Mr. HENDERSON: That is right. The point is that we have specifically provided in our bill for an equivalent provision.

Section 162 of the Companies Act—if you prefer me to go on, I can do so, but this is the nature of it. These are the preference shares' provisions. But we have our own provisions in each case, and we have especially provided for them, just as in the general statutes.

Mr. LLOYD: So that under each of these clauses you have preferred to have your own provisions which represent some modifications of the provisions of the Companies Act?

Mr. HENDERSON: When you say prefer, that is true, because we urge them on you. We have done this, however, after considering what has been done before us on previous bills, and what is in the Companies Act, and we have especially provided in our act so that anybody who wishes to obtain a share in this company will see in our own statute specifically what the provisions are.

Mr. LLOYD: I am satisfied with the purpose and intent of the company and I will go along with the bill. But I do think it would be incumbent upon us at some stage to make certain that each of these clauses do not give a privilege to this company which is not the general practice. We do not want to be inconsistent with the general purposes of the Companies Act and also the provisions in respect of any other acts. I think this requires some examination of the excepted provisions of the Companies Act, comparing them specifically with the provisions which are in this bill as put forth by the incorporators. I shall not hold it up at this stage because I do not have any specific reason to object to this request being made. But I would suggest that before the bill reaches the house, no doubt some of us will be interested.

Mr. HENDERSON: Very well, we shall be happy to explain it to any interested members.

The CHAIRMAN: Shall clause 8 carry?

Clauses 8, 9 and 10 agreed to.

Now, we are on clause 11.

On clause 11—*Commission on subscription.*

Mr. WINCH: Is this not the clause where Mr. Bawden may be able to suggest some wording which would meet the view of a number of members?

It says that the company may pay a commission. I would like to ask Mr. Bawden if he would provide some type of wording at the end of clause 11—which is the only place I can find where it would tie in—something along this line: “Nor shall any director or shareholder be able to purchase shares held in escrow or on any other basis at more than 10 per cent less than the share market value, or the stock market value”.

Mr. HENDERSON: I do not know about this.

Mr. WINCH: It would be the same principle.

Mr. HENDERSON: The last part of the wording presupposes that there is an existing value on the market. But how are you going to determine it?

Mr. WINCH: No. I am not presupposing. What I am concerned with is where there might be hundreds of thousands of shares which could be bought by promoters at what, if my memory is correct, would be about 1/20th or even more than 1/20th of the stock value, or the value of the shares when they bought them.

Mr. HENDERSON: There would have to be a determination of the market value. You presuppose that there will be at any point of time a market value. There might or there might not be. The shares might not be on the market at that time. I merely suggest that this is not a solution. Our problem is simply that we do not know at this moment what impediment a wording of this kind would create in terms of financing. We would have to ask our financial officers what the effect of it would be. I do not want to make a commitment which would be impossible to perform. I want it to be perfectly clear that I do not want to give an undertaking which would create such an impediment to our financial adviser, Dominion Securities, that they would find it impossible to carry out the project.

Mr. WINCH: Do you mean that they would not be satisfied with their 10 per cent?

Mr. HENDERSON: I do not know. I have not discussed with Dominion Securities any amendment of this nature. I do not want to commit myself without being certain that I am not getting into an impossible situation. I do not know.

The second thing is that this is a matter that I would urge be considered with some care in this sense. I would urge you to bear in mind that this is a matter which will of course be considered under the various securities laws of the particular provinces in which any shares are issued, and that each of those provinces will have its own laws. So this is a matter of general protection in any event.

Already you have heard that the principals who are sitting by my side are two men who are well known in western Canada, and you have statements of their integrity. There is also the problem of timing and financing of the project to be considered, and I would ask you to consider whether these exceptions which you suggest are warranted under the circumstances.

Mr. WINCH: Without any inference, might I say that Frank McMahon was also well known in Alberta and British Columbia.

Mr. HENDERSON: This is parallel with Polaris which did receive approval of the House of Commons without any similar limitation. Moreover, several bills of the Polaris nature have received your approval without any limitation of this nature, and the public has been adequately protected by the securities laws. In other words, what I suggest is this: Do not let the exceptions which you are pointing out, govern the general. There is no reason, I suggest to you, that in this case the exceptions govern here.

Mr. WINCH: I do not want to hold up the bill, but I would ask in view of your statement if you would be prepared on behalf of the company, when this bill passes our committee and is recommended to the house, to have the sponsor of the bill in the House of Commons give the results of your further consideration and consultation with the financiers?

Mr. HENDERSON: No.

Mr. WINCH: Otherwise I would have to ask that it stand. But if you are prepared to do that, I would withdraw my objection.

Mr. NUGENT: What Mr. Winch is attempting to do is to perform exactly the functions of the securities commission when the shares are put on the market.

Mr. WINCH: It has not worked.

Mr. NUGENT: It is strictly a provincial function. I suggest that if we are unhappy with the provisions of provincial laws, and with the manner in which they operate in the provinces, I think we should bear in mind that most companies in Canada are incorporated under provincial laws, and that it is unreasonable to make this particular company the whipping boy because we are unhappy with the laws governing the securities commissions in some of the provinces.

Mr. WINCH: It is a little unfair, when we are considering something which comes before the House of Commons, and is within the purview and authority of the House of Commons. We have no power whatsoever under the provincial acts, but we certainly have full power over federal companies.

Mr. NUGENT: Not when you are dealing with matters of property and civil rights. These matters must be handled by the provinces, and it is not for this committee to pre-empt the provincial field. I say that is not the purpose of this committee or of the House of Commons.

The CHAIRMAN: Shall clause 11 carry?

Clause agreed to.

Shall the title carry?

Carried.

Shall the bill carry?

Carried.

Shall I report the bill?

Mr. LANIEL: I move that you report the bill.

Mr. MATTE: I second the motion.

The CHAIRMAN: You have all heard the motion. All those in favour?

Motion agreed to.

I wish to thank you very much Mr. Henderson, Mr. Bawden, and Mr. Van Wielingen.

The next item on the order of business is Bill No. S-43 respecting the Canadian-Montana Pipe Line Company. The sponsor is Mr. Gundlock, and I now call on the agent, Mr. Konst.

I now call the preamble of the bill.

Mr. KONST: Mr. Chairman, hon. members, the Canadian-Montana Pipe Line Company was incorporated by special act of parliament in 1951.

The company is a wholly owned subsidiary, except for the Canadian directors' qualifying shares, of the Montana Power Company which has a head office in the city of Butte in the state of Montana.



When the Canadian-Montana Pipe Line Company applied for its act of incorporation in 1951, its sole purpose was the construction and operation of a pipe line from Pakowki lake area in Alberta to the Alberta-Montana border and, accordingly, its statutory powers were drafted with this purpose in mind.

In 1951, the governments of Canada and Alberta had not defined their present gas export policy, and this was reflected also in the drafting of the act of incorporation. Since 1951 the governments of Canada and Alberta have adopted policies encouraging the export of natural gas, and the Canadian-Montana Pipe Line Company has from time to time received permits allowing it to export increasing amounts of natural gas from the Pakowki lake area to service the Montana market.

During the period of its existence in Canada, the Canadian-Montana Pipe Line Company has accumulated earnings in respect to the operation of its pipe line, which it now wishes to invest in Canada for the exploration and drilling of natural gas. In 1962 there was enacted by parliament of Canada an amendment to the Income Tax Act whereby companies whose principal business is the operation of a pipe line for the transmission of oil or natural gas might deduct exploration and drilling expenses incurred in Canada.

The purpose of the bill before the committee today is to grant to the Canadian-Montana Pipe Line Company authority to explore and drill for natural gas and oil and authority to acquire, by licence, lease or other means, property rights in lands where it is intended to explore and drill.

I might add one or two general words about the company. Its Canadian directors are M. E. Lomas, R. J. Burns, H. T. Tiffen and J. E. A. MacLeod, all of the city of Calgary. The United States directors are L. S. Stadler, J. E. Correte and G. W. O'Connor of Montana.

At present, the company operates 22 miles of pipe line in southern Alberta in two sections; one is a four mile line which connects with the Alberta gas trunk system, and through which gas is purchased from Alberta Southern for transmission to Montana. The other section is 18 miles long and connects the Pakowki lake area to the transmission lines of the parent company at the Canadian-Montana border.

The company plans to explore in the southern part of Alberta and as I have said, has accumulated earnings available for this purpose. It also has behind it a parent company which not only has financial resources but which has a staff of experienced geologists and technical people who have already worked from time to time in Canada and whose knowledge and experience will be available when necessary.

We have with us today, Mr. Chairman, Mr. Louis S. Stadler, the vice president of the Canadian-Montana Pipe Line Company, who has been in the gas and oil business for approximately 33 years. He has been the vice-president of the Canadian-Montana Pipe Line Company since 1957. He will certainly be pleased to answer any questions you might have in connection with the amendment to the charter which is before this committee today.

The CHAIRMAN: Are there any questions? Preamble carried.

On Clause 1. *Repeal.*

Mr. OLSON: I would like to ask whether this company intends to purchase what has commonly been referred to as an existing gas field.

Mr. L. S. STADLER (*Vice President, Canadian-Montana Pipe Line Company*): We have nothing in mind about the purchase of an existing gas field. The idea is for exploration and the acquisition of drilling rights, initially at least, in southern Alberta.

Mr. OLSON: The acquisition of additional gas reserves would be for the purpose of additional facilities for your lines?

Mr. STADLER: If they were required we would apply to the appropriate bodies for export to Montana.

Mr. OLSON: Clause 1(c) states:

—locate, purchase, lease, acquire by reservation, licence or otherwise, acquire and hold, develop and improve, sell, let or otherwise dispose of natural and artificial gas, oil and other hydrocarbons and related substances...

Is the main purpose of this to acquire further supplies for your pipe line, or is the intention of the company to go into the business of acquiring leases, doing exploratory work and developing gas fields as an enterprise quite apart from assuring supplies for your present gas line?

Mr. STADLER: Primarily the idea is for an enterprise to explore and find oil or gas. We would hope, working in southern Alberta, that at least the gas reserves that might be discovered could, after subsequent application to the proper Canadian authorities be available to our system.

Mr. KINDT: Your primary purpose is to conduct drilling operations in fields adjacent to your pipe line or in close proximity to your pipe line for the purpose of augmenting the supply of gas for export?

Mr. STADLER: That is not exactly the position. You will realize that there is a lot of land between the four mile section in south-western Alberta and the 18 mile section in southeastern Alberta. We are primarily interested in devoting funds we have accumulated over a period of years to the exploration of oil and gas in southern Alberta. That is our primary objective. We would hope, if gas were discovered, that we would be able to apply to the proper bodies in Canada to incorporate it into our system for use in Montana.

The number one objective is exploration for oil or gas.

Mr. NUGENT: Mr. Chairman, can the witness tell us if the national energy board has any objection to a pipe line company going into the exploration field? I am thinking in terms of possible pressures being brought to bear on the National Energy Board.

If the company carried out some exploration work and found great quantities of gas which the national energy board, or perhaps the Alberta conservation board felt should not be exported, the position will be that you would hold reserves which would only be available for export. Do they have any objection to the possibility of this being used as a form of pressure on them if you were to become dissatisfied with the present export permits?

Mr. STADLER: In the first place, sir, we look on the acquisition of gas reserves, if the program is successful, as being just gas reserves. The export of those reserves would have to be subject to the decisions of the proper authorities. We have no feeling that the establishment of gas reserves would dedicate them to a Montana market, for example.

Mr. NUGENT: I am just thinking how much pressure this might make possible on the board in the event of a renewal of application. Do you not see it as a means of improving your bargaining position with the national energy board?

Mr. STADLER: Frankly, no; I do not. In so far as the other part of your question is concerned, there has been some conversation at least with the national energy board staff and as far as I know they have not taken any position on this. They have considered it. They are aware of this private bill.

Mr. OLSON: At the present time I presume your company buys all its gas requirements from other companies in southern Alberta.

Mr. STADLER: We have some of our own production in southeastern Alberta.

Mr. OLSON: You have already acquired some gas reserves in southeastern Alberta?

Mr. STADLER: Yes, sir, that is right. We purchased reserves there in 1950.

Mr. OLSON: Would this have been exceeding your authority at that time? You are now coming to us and asking us for permission to locate and purchase these reserves.

Mr. STADLER: I think not. Perhaps you are aware of the history. We had an Alberta company which we had thought at the time would be adequate to meet the requirements for export. Subsequently, we learned on the advice of Canadian counsel that it was necessary to have a company chartered by parliament to hold the export permits, and the Canadian-Montana Pipe Line Company is that organization.

Mr. OLSON: I have one other question, Mr. Chairman.

Let us assume you are successful in acquiring leases and subsequently doing exploratory work and, in fact, putting up reserves. Would this leave some of your existing suppliers in a precarious position in respect of future sales from their gas fields?

Mr. STADLER: No, it would not.

Mr. KINDT: Is the requirement of a provincial government, that a certain amount of development on leases shall take place within a stipulated time, a factor in the request for this amendment in order that drilling may be started?

Mr. STADLER: No, sir, it is not. If this amendment were authorized, it would be entirely for new acquisitions.

Mr. KINDT: How, then, can your company hold the leases or rights which you now have for exploration? If I understood correctly, you now have certain rights for exploration of certain lands.

Mr. STADLER: This company does not have such rights.

Mr. KINDT: I am glad that point is clarified; I had understood you held such rights.

Mr. STADLER: No, this company is requesting the right to acquire lands for exploration purposes and for drilling. It has no leaseholdings.

Clause carried.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Mr. FOY: I move that the bill be reported.

Mr. LESSARD (*Saint-Henri*): I second the motion.

Motion agreed to.

The CHAIRMAN: The next bill we have to deal with is Bill No. S-47, respecting The Burrard Inlet Tunnel and Bridge Company. Mr. Davis is sponsor and Mr. Konst is the agent.

On the preamble.

Mr. KONST: Mr. Chairman, hon. members, this is a simple matter, relatively speaking. The company is coming to parliament and to this committee to ask for authority to wind up. Pursuant to the Companies Act and the Railway Act, the Winding Up Act of Canada does not apply to a railway company.

The Burrard Inlet and Railway Company is technically and legally a railway company. Therefore, it now having sold all its assets to Canadian National Railways, it now wishes to distribute its assets to its shareholders. The shareholders, with the exception of 25 shares, are four municipalities in the Vancouver area.



The application is basically a legal or technical one to give the company authority to wind up under the Winding Up Act of Canada.

Unless there are any particular questions, I think I may have given you sufficient information.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You referred to the distribution of assets. What assets are there left?

Mr. KONST: The assets are all bonds and cash; there are no fixed assets and no tangible assets.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This is to be divided among the shareholding municipalities?

Mr. KONST: It is to be divided among the municipalities, yes. There are 8,025 shares, 8,000 of which are owned in varying numbers by the district of North Vancouver, the district of West Vancouver, the city of West Vancouver and the city of Vancouver. The other 25 shares are held by private parties.

Preamble carried.

Clause 1 carried.

Mr. LEBLANC: I move that the bill be carried.

Mr. NUGENT: I second the motion.

The CHAIRMAN: Motion agreed to.

**HOUSE OF COMMONS**

**Second Session—Twenty-sixth Parliament**

**1964**

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**STANDING COMMITTEE**

**ON**

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* **JEAN T. RICHARD, Esq.**

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**MINUTES OF PROCEEDINGS AND EVIDENCE**

**No. 12**

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**THURSDAY, FEBRUARY 25, 1965**

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**Respecting**

**BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.**

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**WITNESSES:**

**The Honourable J. W. Pickersgill, Minister of Transport, Mr. J. R. Baldwin, Deputy Minister of Transport, Messrs, H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch, all from the Department of Transport.**

**ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965**

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

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Balcer	Gundlock	Millar
Basford	Hahn	Mitchell
Beaulé	Howe ( <i>Wellington-</i>	Muir ( <i>Lisgar</i> )
Berger	<i>Huron</i> )	Nugent
Boulanger	Irvine	Olson
Cadieu	Kennedy	Pascoe
Cameron ( <i>Nanaimo-</i>	Kindt	Prittie
<i>Cowichan-The Islands</i> )	Korchinski	Pugh
Cantelon	Lachance	Rapp
Cantin	Laniel	Regan
Cooper	Latulippe	Rhéaume
Cowan	Leblanc	Rideout ( <i>Mrs.</i> )
Crossman	Lessard ( <i>Saint-Henri</i> )	Rock
Crouse	Lloyd	Southam
Fisher	Macaluso	Stenson
Foy	MacEwan	Stewart
Godin	Macdonald	Tucker
Granger	Marcoux	Winch—60
Green		

(Quorum 12)

D. E. Levesque,  
*Clerk of the Committee.*



ORDERS OF REFERENCE

THURSDAY, February 18, 1965.

*Ordered.*—That the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, February 24, 1965.

*Ordered.*—That the names of Messrs. Prittie and Stewart be substituted for those of Messrs. Barnett and McNulty on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

Leon-J. Raymond,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

THURSDAY, February 25, 1965.

(26)

The Standing Committee on Railways, Canals and Telegraph lines met this day at 10:00 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Addison, Armstrong, Berger, Cantelon, Cantin, Cowan, Crossman, Fay, Godin, Granger, Gundlock, Hahn, Kindt, Lachance, Laniel, Leblanc, Lloyd, Macaluso, Macdonald, MacEwan, Marcoux, Matte, Millar, Pascoe, Prittie, Rapp, Regan, Richard, Rock, Stenson, Stewart, Tucker and Winch (34).

*Witnesses:* The Honourable J. W. Pickersgill, Minister of Transport, Mr. J. R. Baldwin, Deputy Minister of Transport, Messrs. H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch, Department of Transport.

*In attendance:* Mr. Alastair MacDonald, Q.C., Ottawa; Mr. R. H. Weir, Northwest Line Elevators Association, Winnipeg, Manitoba; Mr. K. D. M. Spence, Commission Counsel, Canadian Pacific Railway, Ottawa; Mr. R. A. Bandeen, Canadian National Railways, Ottawa; Mr. J. J. Frawley, Province of Alberta; Mr. D. J. Blair and Mr. J. I. Guest, Province of Saskatchewan.

The Chairman read the Order of Reference regarding the Subject Matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railway Act, and to repeal the Canadian National—Canadian Pacific Act.

The Chairman also read a list of those who have made representations, and who were notified of the date that the Committee will begin its hearing.

The Honourable J. W. Pickersgill, Minister of Transport, made a statement clarifying the procedures.

Messrs. Darling and Cope were called upon and explained various sections of the Bill.

Mr. J. R. Baldwin, Deputy Minister of Transport, gave the names of those who made representations to the Department in regard to Bill C-120.

Mr. Cantelon suggested that arrangements should be made for top-priority in the printing of the Committee's evidence. The Clerk of the Committee was asked to attend to this matter.

At 11:20 a.m. the Committee adjourned to 3:30 p.m. this day.

D. E. Levesque,  
*Clerk of the Committee.*

*Note:* The Committee did not meet in the afternoon due to business of the House.





## EVIDENCE

THURSDAY, February 25, 1965.

The CHAIRMAN: Mrs. Rideout, gentlemen and Mr. Pickersgill, we now are on Bill No. C-120. The house ordered that the subject matter of Bill No. C-120, to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act be referred to the standing committee on railways, canals and telegraph lines. You will note the most important part of this is that it is the subject matter of this bill that is being referred to this committee this morning.

It was agreed that at this particular session we would hear officials of the Department of Transport give us a presentation on the subject matter of the bill. We have with us Mr. Baldwin, the deputy minister, Mr. Darling and Mr. Cope. I understand that Mr. Darling will make the presentation on behalf of the Department of Transport.

Now, gentlemen, I hope we will be able to follow some order. I would suggest that we hear the presentation of Mr. Darling, ask questions after the presentation has been made, and do it by clauses as will be explained by Mr. Darling.

I think the minister would like to say a few words.

Mr. J. W. PICKERSGILL (*Minister of Transport*): First of all I would like to say how very much I appreciated the non-partisan way in which the house has approached this bill. Last summer it became apparent that we were not going to be able to make much progress during the summer and the autumn. However, an informal arrangement was implemented by which members of the committee were invited to meetings of a private character at which there was a great deal of exposition of the bill. I believe this was very helpful. Then we resumed the session last week and I was asked a question about the bill. I had privately canvassed the members of the other parties and I then, after further canvassing, made the suggestion that we might dispense with the debate on second reading and have the bill technically killed by an amendment by one of my colleagues and the subject-matter sent to this committee. As I explained in the house, the purpose would be to hear representations from members of the public about the bill; but, because of the fact that there was no debate on second reading, and therefore no general explanation of the bill, I think it would be almost meaningless to have the committee start hearing representations before they have an explanation in layman's language of what the government was proposing in this bill. It seems to me that this would be a tremendous help, not merely to the members of the committee and other members of parliament, but also to the public who are greatly interested in this bill, if we could have an exposition of the whole bill before there are any questions.

If there are no interruptions, I believe this morning we might be able to have a full exposition of the bill so that it will be available to anyone who wishes to have it. If this can be completed this morning, I would hope that the committee might be willing to have a meeting this afternoon over in the main building in the railway committee room—where we would be able to adjourn from time to time to vote on motions in committee of the whole house—at which members could ask questions of the officials for the purpose of elucidating any parts of the bill that were not understood fully.

In other words, what I am suggesting to the committee very respectfully is that we should endeavour to understand what the bill is before we go on to hear the views of other persons about it. Against that background we will have a better appreciation of what other witnesses may wish to say.

Since you do not have a bill before you, it does seem to me that the procedure which would be followed if we did have a bill would not make much sense in the deliberations of this committee; that is, attempt to modify the language in this ex-bill because this bill is not going back to the house in any way. What is going to happen, God willing, is that when the new session starts a new bill will be introduced. It would be a rather frustrating exercise, therefore, if we attempted to make amendments to the language of this bill. What we would like to have are ideas in respect of how it profitably might be changed. I believe it would be far better to leave the drafting problems to the experts because the government again will have to take the responsibility of bringing a bill before parliament at the next session.

I can assure members that in preparing the bill at that time we will take the fullest possible account of everything said by the members of the committee. These are just suggestions.

Mr. WINCH: Did the minister state that today we are not in any way on the principles as set forth in Bill No. C-120?

Mr. PICKERSGILL: No. The bill has been killed.

Mr. WINCH: I know that, but I am speaking of the principles.

Mr. PICKERSGILL: I imagine some of the witnesses may attack some of the principles in this bill. In fact, I would be very surprised if they did not. We want to hear that and we want to hear their arguments. In other words, as I said in the one speech I made in the House of Commons at the resolution stage before we had a bill, the government took the MacPherson report and had a look at it just as our predecessors had intended to do—and our predecessors had done a lot of work on it before we came into office. We took the MacPherson report and its recommendations in a certain area, and in the main we accepted them as a basis for a bill. However, as I mentioned we found, as a result of the expressions of public opinion, criticisms offered, and so on, that there were certain modifications which we would feel it desirable to make before we even introduced a bill at all. Now we have the opportunity of obtaining the advice of such witnesses as are ready to appear.

If we make the most of the questioning by the members of the witnesses who will appear and of the witnesses from the department who will be available today, I am very hopeful that we will see how this bill may be improved before it is introduced the next time.

I would like to say again that the attitude of the government is that although broadly we accept the principles laid down by the MacPherson Commission, we do not think that all wisdom resides in the Department of Transport or in the government in this matter, and we are anxious to have enacted by parliament the best possible legislation in the public interest. We are only too glad to have any suggestions in respect of improvements.

Mr. WINCH: Mr. Chairman, before the minister sits down may I ask, in view of his statement that we are not definitely considering the bill but only the principles of the bill, whether or not it is his hope as minister and the hope of the government that, as a result of discussions while this present session lasts, the result will be a recommendation which will lead to a national transportation policy? Am I correct in this or have I misunderstood the minister?

Mr. PICKERSGILL: Considering the length of time the present session likely is to last, I would think that would be rather difficult to say.

Mr. WINCH: Is that your motivating idea?



Mr. PICKERSGILL: I do not think that is a correct statement of what I had hoped to get from this. I had hoped that primarily we would not be concerned with the principles of the bill at all, but rather with the content of the subject matter and that we would try to obtain suggestions for improvements or modifications of what is in the present bill so that we could introduce a better bill at the next session. The intention was that at this session we at any rate would have heard some of the members of the public who wish to be heard concerning this bill, and it would not take quite so long, therefore, to deal with it at the next session.

Mr. PASCOE: The minister mentioned hearing some witnesses. Are all witnesses being advised or are certain ones being advised?

Mr. PICKERSGILL: That really is a question for the Chairman to answer, but so far as the department is concerned, I asked the department to advise anyone, who had expressed an interest about the bill, that the subject matter is being referred to the committee, and that so far as the department is concerned we were not going to urge the committee to compel any witness to appear. Further, we felt there were enough who were ready now, so that we could hear those who were ready and not attempt to push certain other witnesses who we know wish to be heard but who are not ready to be heard yet.

Mr. RAPP: There is one matter which is of concern to the grain growers out in the western provinces; that is, if a railway is to be abandoned, the grain elevators which are situated on the abandoned lines will not be able to accept grain, because under the Canada Grain Act any elevator that is not on the railway is not in a position to accept that grain.

The CHAIRMAN: Mr. Rapp, I would suggest that is exactly the type of question which might be raised after the presentation has been made of the subject matter of this bill. Therefore, at this time I would prefer that we go ahead with the presentation to be made by the officials of the Department of Transport. Then you might ask your questions.

As the minister stated, I would like to make it clear that although any interested witness will be welcome, we should not be expected to look around for witnesses. Those who have indicated their interest to the department have been communicated with and have been advised that these committee sittings start today, and will continue on Tuesday. Surely you do not expect the committee to look around for witnesses.

Mr. CANTELON: May we have a list of those with whom you have communicated so that if there are others whom we know are interested we might get in touch with them?

The CHAIRMAN: The committee itself has communicated with very few. I will give you the list.

A letter was sent to the Clerk of towns such as Calgary; Fort William; Morse, Saskatchewan; White River, Ontario; Brooks, Alberta; Chalk River, Ontario; Schreiber, Ontario; Moose Jaw, Saskatchewan; Dryden, Ontario; Brandon; the Communist party; H. S. Sales; and S. Jones, Secretary, London Railroad Workers Council, London, Ontario. Those are the only ones communicated with directly by the committee. However, the Department of Transport has been in communication with a great many others. I imagine these would include such as the Canadian Trucking Association, the C.N.R., the C.P.R., the grain elevator people, and so on.

Mr. PICKERSGILL: And the provincial governments.

Mr. CANTELON: May I direct your attention to the fact that I believe the government of Saskatchewan is very interested in this matter, and that the Freedman Commission has been studying this matter.

The CHAIRMAN: Their counsel, Mr. Blair, is sitting in the room now.

Mr. WINCH: I believe the minister made statements which are contradictory; that is, that Bill No. C-120 is not before us, and there will be a new bill at the next session. At the same time the minister stated that the evidence the committee now is to hear, under a certain understanding, has reference to the principles of the bill.

Mr. PICKERSGILL: To the subject matter of the bill.

Mr. WINCH: But we still refer to the bill.

Mr. PICKERSGILL: Oh, yes. I think the bill is the basic document.

Perhaps I should say this; I am not trying to escape my responsibility to parliament. This bill, before the amendment was made, was a government measure. The bill which will be introduced next session of parliament also will be a government measure. The government will have to take the full responsibility for that bill. In other words, I am not attempting to escape my responsibility as Minister of Transport and my colleagues are not trying to escape their responsibilities to parliament as a government. We know it is our duty to present the measure before parliament.

All I am saying is that we would welcome and consider—and this does not mean necessarily that we would act—all suggestions which might improve the bill which we would bring forward at the next session.

Mr. LLOYD: I think that in essence the minister has explained the machinery before us. We have a working paper reflected in this Bill No. C-120 and we are now asking the staff to identify the areas in which government action should be taken. Then, ultimately, this committee will have an opportunity to express itself in the future, I presume, in the form of a report.

Mr. PICKERSGILL: Mr. Chairman, before we call on Mr. Darling, may I just express again my apologies to the committee. I wished to be here for the opening and explain that it was my initiative that resulted in this being done in this manner. However, a meeting of cabinet is being held concurrently at which I ought to be present. I have heard Mr. Darling before. I hope you will not think I am disrespectful to the committee if I leave at this point.

Mr. WINCH: In view of the suggestion, which I think we all welcome, do you recommend that there be a report from this committee after hearing the witnesses and before this session ends?

Mr. PICKERSGILL: I think that will depend on how many witnesses we hear and how much progress we make.

Mr. WINCH: Do you anticipate a report from this committee before this session ends?

Mr. PICKERSGILL: I really think that would be speculation at the moment. Toward the end of next week I might be able to give an opinion on that.

The CHAIRMAN: We will now hear from Mr. Darling. Mr. Darling is the director of economic studies, Department of Transport.

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): Thank you, Mr. Chairman and members of the committee. In attempting to give you a brief outline of the contents of a bill of this size, necessarily we are going to deal more or less with the bill in general, and possibly more information may be elicited as a result of questions asked afterwards.

I would like to take this bill section by section and very briefly give you the rationale of the bill as we see it. We do not proposed to give any of the detailed background or historical events leading up to the royal commission, and so on, more than is necessary to understand what is in the bill. We propose to deal with four principal clauses of the bill. After a brief background statement, then we will proceed to discuss the rate regulation sections. These are contained



in clause 19 which is found on pages 22 to 26 of the bill. Following that we will discuss the clauses dealing with the Crowsnest Pass grain rate and related subjects which are contained in clause 16 of the bill at pages 17 to 21.

It is our intention to divide up this presentation which I hope will not be too lengthy. Mr. Cope will deal with the subject of the passenger deficit subsidy and the principle of line rationalization.

Mr. WINCH: What page is that on?

Mr. DARLING: Clause 7 is in respect of passenger services and the branch line abandonment as well. Pages 5 to 14 refer to these two subjects. The passenger train subject begins on page 12 and extends to page 14.

There are a number of smaller items in the bill, but we will not cover those at this point since we are dealing with the general principles involved. I think we can sketch the immediate context in which this bill appeared, starting with the situation in 1959 at the end of succession of general rate increases.

These increases, with increasingly great severity, had been bearing on the various parts of the country. Large elements of competitive rates were not sustaining the same increase and were thrusting the burden on non-competitive areas. The situation created in 1959, when an increase of 17 per cent was authorized by the Board, led to the enactment of the so-called load roll-back legislation in which the general increase was reduced to 10 per cent and the difference paid back to the railways under the Freight Rates Reduction Act.

At the same time the royal commission on transportation was set up under the subsequent chairmanship of Mr. Murdo MacPherson. In essence, the problem of that royal commission was to find some answer or solution to the periodic and successive horizontal increases in freight rates. In so doing, the commission was to consider the setting up of a system that would make for a healthy railroad system in Canada.

In its report the commission laid particular emphasis on the point that the railways had difficulty in adjusting to recent developments in competition—such as highways, canals, airlines, and pipe lines, all of which were newer forms of transportation—and as a result of this the railways were being put in a difficult position.

The royal commission considered the problem of how to allow the railways to meet these new conditions. It found that they were burdened by a legacy of the past in the form of uneconomic rates and uneconomic services which had been imposed in part by statute, in part by regulation of the board, and in part voluntarily—it must be admitted—by the railways during an earlier period when these constituted no difficulty to their position but which had become increasingly burdensome with the increased severity of the competition.

Therefore, the royal commission also considered it to be its duty to find some means of placing the railroad industry back, as it were, on its own feet by a gradual phasing out of the subsidy program that had been adopted as an interim measure pending the review of the position of the railways in the modern economy.

The solution of the royal commission was twofold. First, they placed full reliance on the freedom of the market. They were impressed by the pervasiveness of competition. They felt this is extending and that even areas that recently were monopoly areas were feeling the force of competition. It was their view that competitive forces in the future would, in large part, constitute a system of control in the interest of the public.

They did admit, however, there might be occasions of what they chose to call an area of significant monopoly—this is the term used by the commission—which could require some measure of control for the future. They did feel that these areas were diminishing as the other forms of transportation extended their area of operation.



Therefore the commission looked upon the railway rate structure as sort of an autonomous unit and made a distinction between what they called the national transportation policy, which the policy in respect of rates and regulations, and what they called a national policy. The national policy might involve assistance to the movement of traffic. However, it was the view of the commission that where this is found to be good it should not distort the national transportation policy, and that it should be achieved without cost or burden to the carriers.

The general principles of the royal commission then are considerably different to what previously has been the case in respect of railway legislation. These principles were thought to be important enough that they should be included in clause 1 of the bill, which is the preamble. The general principles which motivated the royal commission in its recommendations are condensed. They include first, freedom to compete with other modes of transport; second, transportation companies should pay for any improvement made in their favour—this does not affect railways to the same degree as it does some other modes of transportation, but it is necessary for a rounded statement of the policy. Finally, transportation companies should receive compensation for any service they render by reason of the national policy. It is not up to the railways, in other words, to sustain the burden of assisted freight rates which may be made for purely valid reason, but which nevertheless should not be allowed to distort the picture as between the competing transportation agencies. This is by way of introduction.

Then we in turn to the general discussion of the rate regulations sections, which are contained in clause 19. As I have said, the royal commission found the railways hampered by a combination of uneconomical low rates and services that had been forced upon them by statute and regulation, and merely by the force of long continued practice which they themselves originally had initiated. Two solutions for relieving the railways from the burden of uneconomic operations are dealt with in those sections which have to do with grain rates, pasenger deficits and branch line abandonments.

The second solution it offered was a greater freedom in rate making for the railways. It did not deny the railways now, in many ways, possess considerable freedom, but it pointed out competitive conditions were changing very rapidly and, in fact, the railways were suffering from the holdover of regulation principles that had been adopted under an era of monopoly.

To quote the principal statement in this regard, volume II at page 63 of the report:

Under competitive conditions a wholesale re-evaluation of policy becomes necessary. Traditional measures to protect against "discrimination" in freight rates aer in effect being set aside by competition. Preserving such measures on the statute books limits the power of railways properly to compete.

And, it continues.

Consistent with that statement the royal commission recommended a drastic simplification in the rate regulations of the railways. In essence, the commission's plan is in two parts. Bearing in mind it now regarded competition as an effective force of control, and to avoid the railways being subjected to control that was not imposed on other forms of transport, the commission simply recommended that there be two elements in the future regulations of railways, (1) a minimum rate, and (2) a maximum rate.

The minimum rate is necessary to prevent unfair competition with other modes of transport. In the course of the competitive struggle and the eagerness to obtain traffic it is possible rates might become reduced to an uneconomical level and, of course, this would be a real detriment to all forms of transport.

It seems to the commission this was a minimum prerequisite of future regulations. The minimum rate is to be based on the variable costs of any movement, the variable costs consisting of the costs which vary with the traffic, excluding the fixed costs which, by definition, would not vary with that traffic. This definition of variable costs, in itself, is subject to some variation because, as the commission pointed out, it depends on the length of time you are considering the rate to apply. If it is a single rate, to apply for a particular movement which is not going to be repeated, it will simply entail the extra costs of perhaps adding a car to a train already moving; on the other hand, if it is a rate which is intended to remain in effect and be more or less the effective rate for some time a lot of costs which otherwise would have been unchanged will now be varying since there will be a certain amount of equipment and so forth to be provided. So, in fact, depending on the length of time that is considered the minimum rate will change. In large part it will be the long term variable costs that might be anticipated to be in effect under this condition since most rates, in effect, are made to stick; they are not merely rates for the day only.

The commission then turned to the question of control in these areas where it still regarded the railways possessed significant monopoly, and it provided here a formula for a maximum rate that could be used by a shipper to ensure that he was being taken care of and not subject to detriment because of his position in a non-competitive area. The maximum rate is derived from the long term minimum rate; it consists of the minimum rate, the variable costs, in other words, plus 150 per cent of the variable costs. That is, if the variable costs were \$1 on a specific route the maximum that would be derived in this formula would be \$2.50; this is based on the costs of a carload of 30,000 pounds. The commission shows the weight of 30,000 pounds on the basis that if an area of monopoly is to be broken down eventually it would be by the penetration of truck transportation. It regarded commodities loading around 30,000 pounds within the area being handled by tractors and tractor-trailer combinations, and their intention of establishing this formula was to give such shippers the advantage of hypothetical truck competition in their area. Of course, the bill differs from those recommendations of the commission. It was the commission's view that any shipper could declare himself captive; in the commission's recommendation, this meant he would bind himself to ship his goods by rail for a period of one year at the maximum rate that might be established. So far as the commission's recommendation was concerned, this could apply to any shipper even if he were in the most competitive area of the country. It seemed to the commission that such an extension of the maximum rate, in fact, was justified by the fact the shipper must bind himself to ship at that rate for one year. As I have said, the bill departs from the recommendation of the commission at this point; it sets up what, in effect, is a means test for a captive shipper. A captive shipper, in the language of the bill, section 335, subsection (1), at page 22, must now, in effect, be:

A shipper of goods for which in respect of those goods there is no alternative practicable route and service by a common carrier other than a rail carrier . . .

Of course, the reason for this departure is that railway rates, even today, despite these competitive conditions are not based exclusively on costs. The commission was very much impressed by the trend toward costs as the main element in rate making. It pointed out that under severe competitive conditions each agency of transportation naturally concentrates its attention on the minimum cost—that is, how low it can go—in meeting competition, and this is the prime element. However, there are other factors involved in that many commodities have different characteristics and move in different fashions; even today, under today's competitive conditions there are very wide variations in the level of rates between different commodities, even though they may be carried



under practically identical costs. It was the commission's view, reasonably supported by experience, that the increasing force of competition over a period of time will depress the rates more or less to a common level. But, this is not the case to date. There are still cases where there are rates in very competitive section's of the country where, in fact, the shipper might apply for the maximum rate and obtain a reduction. It is not known to what extent this exists. But, it is an unnecessary loss of railway revenues if a shipper, say between Montreal and Toronto, or on some other very competitive route, should be able to take advantage of what is, in fact, a provision that is provided for a shipper in a genuine monopoly situation. However, the bill does not exclude the possibility of any shipper in any position being captive, because that depends on the nature of his traffic and the type of transportation he needs. Even between the large cities in the east there may be types of traffic for which no alternative practical means of transportation exist, and they would then be eligible for the maximum rate.

As I have said, the basic reason for the departure was simply that it seemed unnecessary to permit any drain on railway revenues, no matter how small, by legislating a right to shippers to claim the maximum rate when, in fact, they did possess competitive means of transport. This is the system as it would work.

However, there is a further reference that should be made, namely to clause 9 on page 15. The commission was of the view that this maximum and minimum rate legislation by itself, would provide fully adequate safeguards for all cases that might come up and no recommendation was made with regard to any other recourse. However, consideration has been given to the fact that this is a new system and, as the minister himself pointed out, we in the transport department possess somewhat less than full wisdom on these points; no one can predict the variety of circumstances or the conditions that might arise, which would require some adjustment or consideration. Therefore, the intent of clause 9 in the bill is to provide just that recourse. The system is expected to operate more or less freely on its own, but, even if this is admitted, it is desirable to provide some means of recourse; and this constitutes that safeguard.

The only thing that could be added to the general rationale for this particular system is it does restore to the railways a considerable degree of freedom in rate making. But, is this desirable? What are the consequences likely to be? This will depend on the viewpoint. Of course, any real extension of freedom naturally involves an element of risk. There always is the possibility, however, of undesirable results; but, on the other hand, if complete weight is to be taken of possible bad consequences the only alternative, would be to go back to a rigid and very strict form of control to guard against such hypothetical dangers. This does not exist in other forms of transport and does not exist in industry generally, the assumption of the commission, which is embodied in the principles of the bill, is that it is not in itself potentially a source of any harm to the transportation industry.

Turn next to the section on grain rates, clause 16, pages 17 to 21; perhaps the rather complex wording of these sections requires a short explanation. We are dealing here with the question of grain rates in western Canada, popularly known as the Crowsnest pass grain rates. The original statutory provisions on these rates apply only to grain and certain types of grain products moving to Fort William. This level of rates was extended by action of the board in the case of Vancouver and, voluntarily, by the railways, in respect of Churchill, and by a number of subsequent amendments to the act, the latest of which is the amendment involving rapeseed in the list of grain products which would take this level of rates.

Mr. KINDT: To which clause are you referring?

Mr. DARLING: I am referring to clause 16, and it starts at the bottom of page 13 and proceeds to page 18. When the royal commission examined the question



of the compensatory nature of these rates which have not taken any of the increases that have occurred in the past post-war period and, in fact, have been in the statutes since 1925, it calculated what it considered the deficiency in variable costs to the railways for the carriage of grain traffic at those rates. It also considered that it was not sufficient for the railways to recover merely their variable costs in view of the fact that grain is an important element in the total traffic of the railways. Therefore, the commission also recommended that in the form of a subsidy there be a contribution to the respective constant costs of the Canadian National Railways and the Canadian Pacific Railway.

Mr. KINDT: I am sorry, Mr. Chairman, but I did not hear that because some of the members were talking. Would you mind repeating what you said, Mr. Darling.

The CHAIRMAN: Order, please.

Mr. DARLING: Mr. Chairman, as a result of the royal commission's investigation into the Crowsnest pass grain rates it found on the basis of its study of the costs and after much consideration and hearing of evidence from various sources there was a deficiency in the variable costs of hauling this grain in the year 1958, of \$2 million in the case of the C.P.R. and \$4 million in the case of the C.N.R. Of course, this would change from year to year depending on the size of the movement. As I have said, it also found that it would not be sufficient for the railways merely to recoup their variable costs on a movement as large as grain and that they should, in effect, receive some contribution toward the constant costs which they could not get now because of the fact that rates were fixed. It estimated the contribution of \$9 million for the CPR and \$7.3 million in the case of the C.N.R., and they felt this would represent a reasonable contribution to constant costs.

Then, returning to the wording of the bill, in order to collect and bring together all the rates that are now based at this level it was necessary to extend the net rather wide and to word it in a rather complicated fashion to make sure no small parts were left out. Different definitions have applied to the various ports of Vancouver, Fort William and Churchill, so you will see in clause 329, particularly clause (2), as it extends over on to page 19, the detail that is necessary to make sure that nothing escapes this net. In fact, we have here the whole parcel of rates equivalent to the statutory level in western Canada.

At the time of the royal commission the railways put in an application for an increase in the rates to the Atlantic ports, and these rates were known under the rather bizarre term of At-and-east rates, which concerned rates from the Bay Ports, Georgian bay, lake Huron, lake Ontario to Montreal and the lower St. Lawrence ports, and to the most important ports of Halifax and Saint John, and they had been used actually to move grain during the wintertime to the ports of Halifax and Saint John. These rates had been fixed many years ago. It was believed the rate from Port McNicoll and ports on Georgian bay was made competitive with the rate from Buffalo to New York, and this rate was extended to the Atlantic ports at a slight increase over the Montreal rate. So, the railways got a very small increment for hauling the traffic beyond Montreal to the Atlantic ports. When the railways asked for an increase in these rates the board, in a judgment, awarded them approximately one half of the increase for which they had applied. This increase has remained inoperative and the rates have been held under suspension successively for six months periods pending the implementation of this bill.

Under section 329 (a) of this bill at page 20 there is a provision that the rates in question shall remain fixed, so far as the shipper is concerned, at their present level, but a normal rate is to be paid to the railways. The reason for the extension of the subsidy to these rates is tied in with the fact that in the wintertime Halifax and Saint John are necessarily competitive with Vancouver, which already has a fixed rate, namely the Crowsnest pass rate today. So, an

increase in the rates to Halifax and Sain John in the winter could only have the effect of diverting traffic by other routes during that time. However, this is a consistent application of the principle stated by the commission, namely that if the railways are to assist in any national policy objective they should be compensated for it. Now the rates are the same but provision is made for the railways to receive normal return on these rates. This is found in subsection (3) of section 329 (a), line 34, at page 20, which provides that the railways may obtain a normal return on these rates regardless of the fact the shipper himself will be paying only the rate that heretofore always has been in effect. This rate will be one that will be negotiated between the Minister of Transport and the railway company; in other words, it will be the subject of determination and not simply a rate that is set by the railways.

I might say that this procedure has similar applications farther over in the bill, with reference to the setting of rates for postal traffic and national defence traffic. These have been subject to modification in this bill in line with the principles set by the commission, that the railways should operate as autonomous entities; they should not be imposed upon by departments of government or for reason of national policy and that the government, in fact, should deal with the railways very much as any other shipper does, and pay the railways a reasonable rate. This then is the principle that is applied in this section to the at-and-east grain rates. Therefore, the situation left by this clause on grain rates will be that the existing rates in western Canada to Fort Willilam and Churchill and the rates for export to Vancouver will remain the same as they have been, and the railways will be compensated for any difference in the variable costs. Naturally, in years when they have heavy movements and the variable costs may be less than the railways derived from it this will be deducted from the contribution to capital costs. Then, in a straight implementation of the commission's recommendation, at the end of five years the board of transport commissioners is authorized to re-examine the size of the capital contribution in the light of whatever conditions might obtain at that time.

Mr. Chairman, at this point I might ask Mr. Cope to carry on with the remaining two sections of the bill, passenger deficits and branch lines.

Mr. R. R. COPE (*Director of Railways and Highways Branch, Department of Transport*): Mr. Chairman, as Mr. Darling has stated, I will deal with two other burdens on the railways, burdens which in the past have been transferred by the railways to the users of freight services. These are the passenger services burden and the burden from operating uneconomic thin density branch lines. I will deal with the passenger services burden first because the financial burden is far the larger of the two.

The passenger services provisions of the bill are to be found in clause 7, pages 12 to 14.

Mr. LLOYD: Mr. Chairman, would the witness mind proceeding at the same pace as the earlier witness did so that we will be better able to take in what he is saying.

Mr. CANTELON: Mr. Cope, would you mind repeating the pages?

Mr. COPE: I am referring to pages 12 to 14. The royal commission found that passenger services were clearly one aspect of rail operations which, when taken as a whole, were uneconomic. In their analysis of railway operations for the year 1958 they found that the C.N.R. and C.P.R., together, were shouldering a deficit of some \$78 million. This led the commission to pronounce that the burden of passenger traffic deficits is the most onerous of all those on the railways because of the legacy of tradition, social and national obligations. In this record they pointed to the development of the private automobile, the bus



lines, and the building throughout Canada of a network of paved highways, as having contributed towards the trend away from rail passenger operations to the other carriers. They stated that as a result there is little social justification and less economic justification for the permanent provision of rail passenger services as we know them today. In addition, they said that unless remedial action, attended by a change in public attitude, is introduced, a significant and uneconomic burden will continue to rest upon the users of railway freight services.

Well, based on this kind of analysis and this kind of finding, the royal commission suggested that the railways in general should be freed to remove uneconomical passenger services. They recognized there would be difficulty in removing passenger services from all areas of the country. Therefore, they suggested that the railways be freed to remove only those where there is a reasonable alternative highway network adjacent.

They recognized also that this could cause a disruption in transportation services in different sections of the country and that it could not be done too quickly. They suggested, therefore, that there be a program of adjustment established to extend over a five year period. During this period while the railways were operating uneconomic services prior to their eventual abandonment, it was recommended that the government provide an adjustment grant to meet the losses incurred by the railways during the period. Specifically, they suggested that an adjustment grant amounting for the two major railways to \$186 million, be provided, payable in the amount of \$62 million in the first year, reduced by 20 per cent in each subsequent year for the five year period. In addition, it was suggested, that after the five year period had expired, and where services were requested to be continued but which would be continued at a loss, that the government should bear the burden of such losses.

The bill provides that a majority of these recommendations be implemented. In addition, it provides for adjustment grants to railways other than the two major railways. There are some smaller railways in this country which might qualify for adjustment grants. The bill goes beyond the recommendations of the royal commission in this regard. The bill provides that it will be the responsibility of the Board of Transport Commissioners for Canada to determine the losses and also to determine whether or not the principal points along the railway route are served by an adequate highway system.

There is another point which should be made here; that is, that the subsidies provided by the bill are maximum amounts. It does not necessarily mean that the railways automatically will be given the full subsidy; indeed, the railways, by their own actions, may be able to eliminate much of their deficit. Some representation has been made to the effect that it would be an inconsistency to pay railways large subsidies when in the meantime by their own aggressive action they are able to eliminate much of the problem themselves. As I say, these are maximum amounts, and, only to the extent that there are losses, will the railways be paid. This is the larger of the two problems from a financial burden point of view.

The branch line problem has many far reaching aspects. In its analysis of rail operations the royal commission found there are many miles of branch lines in the country which appear to be uneconomic. It was estimated that there might be as many as 8,600 miles of uneconomic branch lines and that these probably would be in the order of 4,300 miles for each of the two railways. The reason these lines are uneconomic could be traced to either the fact that the traffic on the lines might have been lost to competing carriers, or that the traffic had never fully materialized following construction of the line.

The commission recommended that the railways be given the opportunity to rationalize their system by cutting out the uneconomic lines. They fully recognized that a period of adjustment would be needed, however, and suggested



a 15-year rationalization period. Here again they suggested that the financial burdens which accrue from operating these uneconomic lines, until such a time as they either become economic or abandoned, should not fall on the railways and, subsequently, on the users of the freight services. They suggested here that the government compensate the railways for losses incurred through maintenance and operation of uneconomic lines. Specifically, they recommended that a grant of \$13 million annually be made to compensate the railways for these losses.

Mr. WINCH: For each or for both?

Mr. COPE: In total.

Now the bill accepts the principles of the royal commission, and goes a little bit beyond. It recognizes there are a great number of social and economic factors which have to be taken into account.

The bill provides there will be established a branch line rationalization authority which will look at the whole question of branch line applications and adjustments, and that they would look at this on a broader basis than perhaps would the Board of Transport Commissioners for Canada. The branch line rationalization authority would consist of three members appointed by the governor in council and would be responsible to the Minister of Agriculture. The function of the board of transport commissioners in this branch line process would be to verify the losses and advise the authority whether or not any particular line is uneconomic.

I think that here it might be useful to raise the process of consideration in respect of any branch line application. The process would begin back at the railways where the railways, after making studies and arriving at a determination as to which lines were uneconomic, presumably would choose among those which they would seek to eliminate and file with the authority an application to abandon the particular lines. The authority would have the board of transport commissioners verify the losses. If a line is found to be economic, the authority automatically would refuse the application. If the line is found to be uneconomic, the job of assessing when the line would be abandoned would fall upon the branch line rationalization authorities. Normally, they would set an abandonment date that would fall no earlier than 30 days, nor later than five years, following the date of application.

Now, in affixing the date for abandonment, the authority must take into account a great many things. I believe these are spelled out on page 7 of the bill in section 314C, subsections (2) (a) to (g), such as the alternative transportation facilities available or likely to be available to the area serviced by the line; the period of time required to adjust facilities dependent on the line to be abandoned; the probable effect of the abandonment on other rail lines or carriers; the possibility of maintaining the line or part of it by changing the method of operation; the feasibility of the line or part of it being operated by another railway; the probable future transportation needs of the area; and, in addition, the authority may recommend to the railway companies an exchange of branch lines, the giving or exchanging of operating or running rights, and the connecting of branch lines to other lines of the company or lines of another company. There are thus a great many facets to be examined by the authority in setting an abandonment date.

It has been suggested that the authority here might look at these branch line applications on a single application basis. It seems that if they are to satisfy the criteria spelled out on page 7, however, the responsibility to examine all the applications which have been filed in any particular area would be required before they could reach a judgment on any specific line. In addition, they must have regard to all matters which appear relevant. This would seem to suggest, if there are any other lines in the area which they

are considering, they would have to take these into account, and might have to seek opinion from the railways as to the future prospects of such lines. They would thus consider these applications on a very comprehensive basis.

Normally the abandonment date is to be set in this period of 30 days to five years. There is provision in the bill however, that a line may be kept in operation after the five year period if there is a transportation need; that is, if the transportation that is going to be available in the foreseeable future is deemed to be inadequate, or there is no practicable alternative, then the rationalization authority, with the approval of the Minister of Agriculture, may direct a stay of application. This means that any lines which qualify here can be kept in operation after the five year period; they can be kept in operation for as long as 15 years after the coming into effect of this bill.

In respect of lines which have been given a stay of application, it is provided in the bill that this will be reviewed at intervals of three years or less.

The governor in council, of course, has wide powers to reject any order of the authority. Normally, appeals to the governor in council would be considered on three bases. The Governor-in-Council would confirm dates; fix dates where a stay of application was in effect; or would provide for continued operation of the line. A line could be kept in operation indefinitely in this manner.

As I said before, the loss incurred by the railways during the period that uneconomic lines are kept in operation will be met by advances from the branch line rationalization fund up to \$13 million annually for the 15 year period.

It is certainly not intended that every uneconomic line which the railways propose to abandon will be kept in operation for a long period by means of subsidies. On the other hand it is fully intended that when these uneconomic lines are considered they will be considered from a community point of view, from a railway point of view, and from a national interest point of view.

To keep uneconomic lines in operation, where they are not vitally required for one of these other reasons, is not only wasteful but is injurious to competing forms of transportation. It also gives rise to the burdens, as has been pointed out by the royal commission, which are transferred by the railways to the users of the freight services.

If I may sum up here, branch line applications go through quite a long screening process. This process begins back at the railways who decide which lines are economic and which are uneconomic. They then decide for which uneconomic lines they will file for abandonment. When these applications are received, they are reviewed by the board of transport commissioners to see whether or not the lines are uneconomic on the bases of the formulae of costs and so on, that the board of transport commissioners follow. If they are found to be uneconomic, the branch line rationalization authority, and in certain cases the Minister of Agriculture and the governor in council in succession give further consideration.

There is one final point which I might bring out here. It has been suggested that the rationalization authority should have power to compel the railways to adjust branch lines in respect of which they have not filed for abandonment; for example, it is suggested that they must consider all lines in the particular area of a branch line which has been filed for study, and should be given authority to compel the railways to make adjustments in a fashion they feel is required.

The bill does provide that the rationalization authority can give consideration to these other questions. The question of whether or not they should have the power to compel is a very serious matter indeed. They would seem now to be required to consider all of the relevant factors. Where they feel adjustments are required, they can bring these forward to the attention of the managers of the railways.

I think that is all I have to say at this point.



The CHAIRMAN: Thank you, Mr. Cope.

Gentlemen, it is only 11.20 a.m. It had been suggested that we should wait until this afternoon for questions, but now since we are here I imagine we might as well proceed. Mr. Baldwin, the deputy minister, would like to mention the names of parties who have communicated with him and who have made representations.

Mr. J. R. BALDWIN (*Deputy Minister, Department of Transport*): I thought it might be of interest to the committee to have some idea of the various interested groups or individuals who at one time or another in the past two or three years had made representation, either by letter or by brief, or who had met with us for discussion in respect of this legislation.

As you can imagine, the very important nature of this document and the subject matter is such that there has been a great deal of public interest, and accordingly a great deal of consultative procedure, both in the period before this bill came into print, and even subsequently with regard to the contents of the bill.

As I said, it might be helpful to the committee if you had some idea of the groups who presently have intimated they might have some comment. I would not attempt to give you a complete and comprehensive list, but I think I should mention the main groups.

Mr. WINCH: Will they be appearing before the committee?

Mr. BALDWIN: This would be up to the committee. I could not answer that particular question. Virtually all of the provinces—with possibly one exception—through various channels, both at ministerial and official level, have made representation to us or have discussed these matters with us. In some cases the discussions have been largely on matters of clarification intended to inform them of what the legislation intended. In most cases they have been actual discussions involving comments and suggestions back and forth. We have not had any discussion at the municipal level, although I believe some representations were made to this committee at the municipal level. The wheat pools in the west have had direct contact with us on several occasions, and the Northwest Line Elevator Company as well. The maritime transportation board, which is in effect the agency which represents the four Atlantic provinces has been our main channel of contact with the Atlantic provinces. Also, there has been communication from the Canadian Chamber of Commerce, the Canadian Manufacturer's Association, the Canadian Industrial Traffic League, and groups of business persons that are concerned. The Canadian Trucking Association has made representation to us, as well as the Railway Brotherhoods, the Dominion Marine Association, the Coal Operators Association, and quite a substantial number of individual companies which feel their interests could be affected one way or the other. These range from, let us say, the Steel Company of Canada to other similar large corporate entities. In addition, of course, there are the railways, not only the C.N.R. and the C.P.R., but also the Algoma Central and the Canadian and Gulf Terminal. All of them have been in at one point or another.

Mr. WINCH: In view of the fact that you have said that every province except one has been involved in this either directly or indirectly, and as all nine provinces have made representations to you on this most important matter, are you contemplating any changes as a result of their representations?

Mr. BALDWIN: Mr. Winch, their representations were taken into consideration both when the first legislation was drafted under the previous administration and they were taken into consideration again by the present administration and some changes were made in the legislation which has resulted in the present bill. The further representations they have made to us since are on other points and this is a matter for the minister to comment on and not myself.



Mr. KINDT: May I ask a question on the capital structure of the C.N.R.; is that dealt with in any way in this bill?

Mr. BALDWIN: In no way, sir.

Mr. WINCH: May I ask a question?

The CHAIRMAN: I hope we will proceed in order. Mr. Darling was the first witness and he dealt with the clauses covered by pages 22 to 26.

Mr. WINCH: I would just like to point out that I think most of us would like some time to consider our questions in view of the most important statements made. However, there are one or two questions we might ask immediately. How do you wish to proceed on that?

Mr. LLOYD: Mr. Chairman, Mr. Cantelon made some comments to me on the question of procedure.

Mr. CANTELON: I appreciate the minister's desire to obtain all the information possible, and I am sure we all wish to co-operate with him in seeing that the next bill is as good as possible.

I am thinking particularly of our experience in the committee on the Canada pension plan where we heard so many witnesses. The thoughts were very clearly delineated by the witnesses and the suggestions obtained were very worth while. These meetings ran over some period of time and every witness who wished to be heard had the opportunity to do so.

I believe my comment is of very great importance to the members of this committee. If we are going to give proper consideration to this matter, I feel it is very important that we should have the daily Minutes of Proceedings and Evidence very promptly. It is very difficult for me—and I am sure for many other members—to remember all that the witnesses say during a day. Consequently, we would like the opportunity of reviewing the Minutes of Proceedings and Evidence. Therefore, I would hope that we could get these in the same manner in which we get the *Hansard* the next morning. I do not know whether or not this is an impossibility, but I certainly hope it is not. I would hope that we do not have to wait as we did on the Canada pension plan. We still have not received the last minutes and the committee hearings concluded 12 or 13 days ago.

This is my suggestion. I would hope that this evidence can be obtained.

The CHAIRMAN: Mr. Cantelon, all interested parties and others are welcome to appear before the committee during the sittings of this committee. Those who have indicated their wish to do so have been communicated with.

In respect of the printing, you know the problem as well as I do.

Mr. CANTELON: I do.

Mr. LLOYD: I would like to support what I think Mr. Cantelon is emphasizing. We now have a general statement by way of explanation of the broad principles involved in the recommendations of the MacPherson Royal Commission; and also we have heard where the bill stands in relation to them at this stage. It seems to me that the sooner we can get that statement of explanation in our hands the better. If at all possible, I would like the committee to decide at this point, even if it is only for this meeting, that we have finished the sitting and will rise. Then we should advise the Clerk that we wish to have the evidence of this part first and then go on. This would permit immediate transcription and preparation of the Minutes of Proceedings and Evidence.

Mr. WINCH: Did I understand that you wish to adjourn now?

Mr. LLOYD: I suggested that we adjourn for a few minutes and then proceed. But, I think they should start printing up to this point.

The CHAIRMAN: I will ask the clerk if there is any possibility that this can be done.

I am advised that the earliest that these notes could be typed, revised and so on would be three or four hours, but that would not have the effect of putting the printed record or copies of the transcript into the hands of the members at that time.

Mr. LLOYD: Mr. Chairman, it is my suggestion that we do not hold up the printing bureau in commencing to print these proceedings. In other words, I do not think that we should wait until we complete this part of our proceedings before we send it to the printing bureau. I think we should take advantage of the adjournment at lunch to ensure that the printing is expedited.

The CHAIRMAN: Mr. Lloyd, there are three or four other committees sitting today.

Mr. ROCK: Mr. Chairman, it has not been my experience that we receive the printed reports from the bureau this quickly.

Mr. LLOYD: I am referring to the matter of delays in having the printed copies in our hands.

Mr. WINCH: Mr. Chairman, I realize that all members of the committee would like to have the printed report in their hands as soon as possible, but it is completely impossible to do it in one day. However, I imagine every member of the committee has made notes on the two most important presentations we had this morning and that they have sufficient notes upon which to put questions when we come back at 3.30 this afternoon. In the meantime, we can study and investigate what has been said this morning and we should be able to proceed with a good question period this afternoon.

We would hope that perhaps a little priority might be given by the Queen's printer in having the printed reports in our hands as soon as possible.

I would suggest that we adjourn at this time in order that we would have sufficient time to study our notes and arrange our questions.

The CHAIRMAN: Did you have a comment to make, Mr. Foy?

Mr. FOY: Mr. Chairman, the most important reason for having the printed reports is so that they will be available next Tuesday when witnesses will be appearing. I think we should have the printed reports by Monday at the latest in order that we may have a full day to study what has been said this morning.

Mr. PRITTIE: Mr. Chairman, I was not here when the proceedings commenced this morning; is my understanding correct that witnesses will be appearing next Tuesday?

The CHAIRMAN: This is up to the witnesses. As you know, these meetings are open. Those who have indicated their desire to attend have been advised that the meetings are starting today and will be continuing on Tuesday and Thursday of next week.

Mr. PRITTIE: How many witnesses are there?

The CHAIRMAN: I do not know; no one has replied.

Mr. PRITTIE: Are we not going to lay down a schedule in which we set out the time that witnesses will be appearing?

The CHAIRMAN: That could be done if they indicate their wish to come at a certain time. But, as I said, they have not indicated they will attend and they have not advised us since these meetings were commenced that they were coming or that they wished to attend at a certain time.

Mr. PRITTIE: When were they notified?

Mr. FOY: This may result in us not meeting next Tuesday.

The CHAIRMAN: They were notified over a week ago.

Mr. MACDONALD: Mr. Chairman, when we met in committee on the Columbia river treaty we established a rule which required that witnesses who were appearing were to forward their brief a week in advance and then

confine their presentation to a period of one half hour, followed by questions. Of course, the advantage of that was the translation staff could have a preliminary run at the brief, which would form part of the proceedings, and in that way we also could cut down on the amount of oral evidence given. Also, by having the brief a week in advance, all members of the committee could become acquainted with the contents of the brief.

The CHAIRMAN: I would point out to you that in this case we are not actually considering a bill. Unofficially, I have been advised by some of the interested parties that although they will be watching these proceedings during this session they do not intend to make representations or present briefs until the bill is presented at the next session. So, I do not anticipate that there will be witnesses who will come prepared in the same manner they would if they were speaking to a bill. Since our deliberations in committee will be limited by the length of this session it is very difficult to make arrangements in advance and to advise witnesses that they would be heard on a certain date.

Mr. MACDONALD: It would appear to me that you are saying you have a group of people with no fixed viewpoints who are not sure what they are going to say, but these people may turn up and say something.

The CHAIRMAN: That is correct.

Mr. MACDONALD: That is a very strange way of proceeding.

The CHAIRMAN: But surely you understand that this is not a very regular procedure that we are following. We do not know the length of time we will be sitting during this session. We do not know whether or not we will be investigating the subject matter for the next two months; we may be sitting one week or even days.

Mr. WINCH: Mr. Chairman, if I can get a seconder I would move that this committee now adjourn in order that those who have made notes may be prepared to put questions at 3.30 this afternoon in the railway committee room.

Mr. LLOYD: Mr. Chairman, I will second the motion on the understanding that if a witness is going to appear and make a statement that we be supplied with mimeographed copies so we can follow the points he puts forward. Also, the staff will have these statements and this should help in overcoming the printing bureau's delay in getting the printed reports into the hands of members of the committee.

Motion agreed to.

Mr. CANTELON: Mr. Chairman, I hope that Mr. Winch does not think that we are so stupid that we could not make notes.

Mr. WINCH: Mr. Chairman, I am surprised at my hon. friend making such a suggestion. I imagine he has been making notes the same as we all have.





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

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MAR 11 1965

STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

TUESDAY, MARCH 2, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

The Honourable J. W. Pickersgill, Minister of Transport; Mr. J. R. Baldwin, Deputy Minister of Transport; Messrs. H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch, all from the Department of Transport.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.  
and Messrs.

Addison	Grégoire	McBain
Armstrong	Guay	Millar
Balcer	Gundlock	Mitchell
Basford	Hahn	Muir ( <i>Lisgar</i> )
Beaulé	Horner ( <i>Acadia</i> )	Nugent
Berger	Howe ( <i>Wellington-</i> <i>Huron</i> )	Olson
Boulanger	Kindt	Pascoe
Cadieu	Korchinski	Prittie
Cameron ( <i>Nanaimo-</i> <i>Cowichan-The Islands</i> )	Lachance	Pugh
Cantelon	Laniel	Rapp
Cantin	Latulippe	Regan
Cowan	Leblanc	Rhéaume
Crossman	Lessard ( <i>Saint-Henri</i> )	Rideout ( <i>Mrs.</i> )
Crouse	Lloyd	Rock
Deachman	Macaluso	Southam
Fisher	MacEwan	Stenson
Forbes	Macdonald	Stewart
Foy	Marcoux	Tucker
Godin	Matte	Watson ( <i>Assiniboia</i> )
Granger		Winch—60

(Quorum 12)

D. E. Lévesque,  
Clerk of the Committee.



ORDER OF REFERENCE

HOUSE OF COMMONS,  
THURSDAY, February 25, 1965.

*Ordered*,—That the names of Messrs. Deachman, Horner (*Acadia*), Watson (*Assiniboia*) and Forbes be substituted for those of Messrs. Greene, Cooper, Kennedy, and Irvine on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

TUESDAY, March 2, 1965.

(27)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9:40 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Armstrong, Balcer, Cantin, Cowan, Crossman, Crouse, Deachman, Foy, Godin, Granger, Hahn, Horner (*Acadia*), Lachance, Lloyd, Macdonald, Regan, Richard, Stewart, Winch (20).

*In attendance:* Mr. J. W. Channon, Adviser to the Minister of Agriculture; Mr. K. D. M. Spence, Q.C., Commission Counsel, Canadian Pacific Railway Company; Mr. J. J. Frawley, Province of Alberta; Mr. Craig S. Dickson, Maritimes Transportation Commission; Mr. Alastair MacDonald, Q.C.; Mr. G. J. Gorman, Ottawa; Mr. Arthur V. Mauro, Q.C., Counsel, Province of Manitoba; Mr. John F. Cunningham, Director of Distribution, Allied Chemical Canada Ltd., Montreal; Mr. D. G. Blair, Province of Saskatchewan; and a representative from the Canadian National Railways.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman informed the Committee of the correspondence received concerning presentation of briefs by non-government witnesses.

After discussion, the Committee resumed its examination of the witnesses from the Department of Transport.

The Chairman suggested that questioning of the witnesses should be of a general nature, since it is the subject-matter of the bill which has been referred to the Committee.

At 12:21 o'clock p.m., the examination of the witnesses still continuing, the Committee adjourned until 4:00 o'clock p.m. this day.

## AFTERNOON SITTING

(28)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4:20 p.m. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Addison, Berger, Cantin, Cowan, Crossman, Deachman, Forbes, Foy, Godin, Granger, Hahn, Howe (*Wellington-Huron*), Kindt, Lachance, Lloyd, Macaluso, MacEwan, Millar, Muir (*Lisgar*), Olson, Pascoe, Regan, Richard, Southam, Stewart, Watson (*Assiniboia*), Winch (28).

*In attendance:* Mr. K. D. M. Spence, Commission Counsel, Canadian Pacific Railway Company, Ottawa; and Mr. Alastair MacDonald, Q.C., Ottawa.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian



National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Minister was questioned.

Mr. Pickersgill suggested, and the Committee agreed, that the Chairman of the Board of Transport Commissioners be invited to appear as a witness before the Committee.

At 5:30 p.m., the Minister was excused and Mr. Baldwin and Mr. Cope were examined by the Committee.

At 5:50 p.m., the Committee adjourned and agreed to reconvene on Thursday, March 4, 1965 at 9:30 a.m. to hear the same witnesses from the Department of Transport, the Chairman of the Board of Transport Commissioners and Mr. Whittaker, Managing Director, the Coal Operators' Association of Western Canada.

Marcel Roussin,  
*Clerk of the Committee.*  
(pro tem)

## EVIDENCE

TUESDAY, March 2, 1965.

The CHAIRMAN: Gentlemen, I will call the meeting to order.

On Friday last the committee secretary sent telegrams to a number of companies, firms, and interested parties asking them to wire back immediately whether they were interested in appearing before the committee. They were asked to signify immediately their intention and also to let us have briefs in advance in sufficient number in one language at least and if possible in French and English. To date we have received replies from a certain number. The Canada Gulf and Terminal Railway Company intends to present a brief. The Northwest Line Elevators Association undertakes to submit a brief and wishes to appear. The C.P.R. states it is not its intention to submit a brief to the committee at this stage of the proceedings. The Canadian Chamber of Commerce advises it will present a brief at the next session of parliament. The Branch Line Association of Manitoba will be presenting a brief to this committee. The Canadian National Railways do not plan to present a brief at this stage.

Those are the only replies we have had at this date. Of course, this is only Tuesday morning. I thought you should be advised of what is happening, and from these replies you will realize that at the present time not too many groups have signified their intention to appear before the committee.

Mr. MACDONALD: Mr. Chairman, in respect of the fact that the C.P.R., the Chamber of Commerce, and so on, have indicated they have no wish to make a presentation to us at this time, I would like to put on record as my personal view, that one of the purposes of having the subject matter considered at this time is that we could have considered and qualified comments in respect of the bill which is before us. I do not think it is very courteous of them to say that they are not interested in making a presentation at this time. If they desire to be of any assistance in getting this measure through, they might take this opportunity of appearing before us and letting us have their points of view.

Mr. WINCH: May I add my support to what has been said by Mr. Macdonald. It is my understanding, both from the statement made in the House of Commons by the minister and the statement he made before the committee at our last meeting, that the very purpose of this committee meeting is that with regard to some broad and general principles we should be able to hear the viewpoint especially of such organizations as the Canadian National Railways and the Canadian Pacific Railway. I think this is a most disturbing situation.

The CHAIRMAN: In fairness I should add, in relation to the C.P.R., that after stating they did not intend to submit a brief, they added the following:

No doubt questions will arise in submissions of other parties during consideration of a new bill as to which information will be required from this company, but meanwhile with committee's permission I propose to attend sessions with a watching brief.

I do not know whether or not Mr. Spence has in mind that otherwise he intends to appear as a witness. Perhaps Mr. Spence might explain his telegram.

Mr. K. D. M. SPENCE, Q.C. (*Commission Counsel, Canadian Pacific Railway*): Mr. Chairman, we felt that we could be much more helpful at a later

date and by being here in the meantime I could take notes of any question which arises to which we might be able to give the answer. We really did not think we could be very helpful to the committee by presenting a brief at the outset.

The principles of the bill have been explained by the officials of the Department of Transport, and we are very anxious to give all the help we can to this committee. However, we feel we would be of more assistance if we presented a brief at a later date.

Mr. MACDONALD: Mr. Chairman, may I with respect say that the proposals, based upon the MacPherson report, have been embodied in the form of a legislative proposal here and this committee is meeting together for the purpose of considering whether those legislative proposals are adequate or whether there should be any other changes. It seems to me that if these bodies are not going to appear, that this is a waste of parliamentary time. I think we should be entitled to have the comments of those who are interested in this bill now when we have this proposal before us and not when it comes up at a later session when we will be very much engaged in other considerations.

Mr. REGAN: I would like to add my support to the statement of Mr. Macdonald. I think the railways and other interests might perhaps reserve their right to come back after we have heard other briefs, if they see fit to do so; but I think they should submit briefs at this stage which would give us their basic feelings in respect of the legislation. This would help us in our considerations when we get to the meat of the matter. This in no way would prevent them coming back later on and adding anything which might arise out of other presentations and the deliberations in the meantime. It certainly would be much more helpful to this committee, in my view, and would be much more courteous to us if the railways made their presentation at this time.

Mr. STEWART: I think the gentleman who spoke on behalf of the Canadian Pacific Railway made their position very clear. They do not have any comments on the document which is before us, and they do not have any questions which they would like to raise. It seems to me that when they say that we have to accept that as a statement given in good faith. Evidently the only interest they would have would be in giving information in respect of questions asked.

The CHAIRMAN: Mr. Baldwin may have something to say on this.

Mr. J. R. BALDWIN (*Deputy Minister, Department of Transport*): Mr. Chairman and members of the committee, it is a little difficult for me to know exactly what to say without sticking out my neck further than a bureaucrat perhaps should. However, we have sensed—and I speak quite frankly—in our own contacts with various groups some slight reservation about putting briefs in now. Everybody seems to feel they want to know what the other party is going to put in before they come forward themselves.

A very extensive series of wires, I understand, were sent out by the secretary of the committee. One of the key points here is the knowledge that certain provincial governments, it is understood, may wish to make representations. I think there is some reluctance on the part of a number of other groups to make their position known until they see what form these representations will take.

This is one of the problems we encountered when we tried to contact various groups over the last few days in an effort to find out informally what their intentions are. I think the role of certain provinces, which we understand may wish to bring forward views, perhaps is a point of some importance in this connection.

Mr. WINCH: May I ask whether the Canadian National Railways also has an observer present today?



Mr. SPENCE: I might explain, on behalf of the Canadian National Railways, that Mr. MacDougall was anxious to be here today. Mr. Bandine was here at the last meeting. Neither of these gentlemen is able to be here today and they have asked me if I would sit in for them as well.

The CHAIRMAN: Gentlemen, Mr. Baldwin mentioned the provinces, and I think the provinces certainly have a great interest in this bill. They also have received wires and have not come forward with a brief. All the large interests up until now have not signified any intention to appear. They may do so tomorrow or the day after. The time has been very short since Friday.

Mr. WINCH: Apparently there is not anything we can do about it. May I suggest that we follow the procedure outlined and ask questions on the statement which was given at the last meeting.

Mr. MACDONALD: Mr. Baldwin referred to the provinces. I think the provinces as well as the railways should get on with it too. The bill has been before the public since September 14 of last year; the general subject matter has been before the country for the last 75 years and the report of the royal commission has been around for a long time.

I realize we cannot dictate to another sovereign government. However, I think this committee has a right to expect courtesy. I think we should establish a cut-off date at which time we will hear no further representations. Rather than have a situation where we will be sitting around hoping that people will appear before us, if they are not going to come to discuss the subject matter, then I think the committee should set up a cut-off date and hear whoever is prepared to come before that date. I think we should make arrangements for the people to come forward at an early date.

Mr. Fox: Mr. Chairman, it was my understanding that the minister and the departmental officials considered, in view of the fact that this bill virtually had been killed and was going to be reintroduced, that we would hold these meetings at the present time so that the interested parties could submit briefs and make suggestions. In this manner, when a new bill is prepared, there would not be any surprise attack, so to speak, which we could be accused of, such as occurred in respect of the labour code bill. You will recall that interested parties said they did not even know it was coming up. One of the criticisms was, as they put it, they did not have time to defend themselves.

The understanding I have is that this is the reason we are meeting prematurely on this bill, so to speak. It is in an attempt to find out what the different representations are going to consist of and to see what we can do to develop the best possible bill in the interests of all. I fail to understand why we are not receiving the co-operation of interested parties.

The CHAIRMAN: Gentlemen, at the present time I suggest that we proceed with the business for this morning which is to direct questions to the brief which was presented by officials of the Department of Transport last week. Copies of the printed Minutes of Proceedings and Evidence have been sent to your offices.

Let us say that the time has been short since Friday and let us say, also, that we have two or three who have signified their intention to present briefs. During the week we will have time to decide what we should do. If there are no more briefs to be presented, I do not know what attitude the members will take in respect of future meetings of this committee.

Mr. WINCH: If that is agreeable, may I start by asking a question or two?

The CHAIRMAN: Yes.

Mr. WINCH: Mr. Chairman, as a result of the submission made by the minister and the officials of the Department of Transport at our last meeting, there are a number of questions I would like to ask. At the moment I will

restrict them to two because I know other members must also have questions they would like to ask.

May I put the first question in this way: It is my general feeling, as a result of the presentations made to us at the last meeting, that the proposals which will come forward at the next session—and which to a certain extent are before us now on Bill No. C-120—are based on the premise of having legislation whereby the two major railways will be in an economically sound position with regard to operating costs and terms. This, of course, deals with the matter of doing away with certain branch lines which are uneconomical and it deals with the matter of freight rates, passenger rates, and all federal government subsidies. If this is correct—and this is the way I have accepted the presentation after reading the transcript of evidence—my first question would be to Mr. Baldwin.

In the acceptance of this general principle was any consideration given to the grants to the railways of land, minerals, and so on, which are gifts by the Canadian people of their own resources? If I may, I would like to highlight this a little. I notice that so far as the Canadian Pacific Railway is concerned, there was granted to the Canadian Pacific Railway Company and other companies which now comprise the system, up until December 31 of 1963, cash subsidies and expenditures on construction in the amount of \$106,280,334. Also, the federal government or provincial governments—mostly the federal government—made land grants to the C.P.R. alone of 43,962,546 acres. This includes some of the finest natural resource land, minerals and so on, in our country of Canada. I am sorry, sir, that I cannot give you the same figures in respect of the Canadian National Railways because when I went to the library to obtain this information I found that the same information with regard to moneys advanced as subsidies or land grants is not available as it is for the C.P.R.

I do not think we can forget, not the millions, but the hundreds of millions of dollars—and I speak from personal knowledge on this—which the railways have received from these grants of land, mineral resources, and so on. An example is Consolidated Mining and Smelting in respect of which the C.P.R. owns approximately 65 per cent. Was this phase of the railways situation considered when they speak about putting the railways on an economic operating basis?

Mr. Baldwin: I think the answer to your question is that this point was considered by the royal commission on transportation which, if my memory serves me correctly, came to the conclusion in making its recommendation that it should not base those recommendations on taking into account past contracts which may have been bestowed on, and physical benefit derived by, the C.P.R. This is not a new issue; it is one which has been before the board of transport commissioners with regard to various rate cases in past years.

In considering the economic viability of the railways, the royal commission came to the conclusion that the railways must be considered as a current operating entity. This has been the base upon which their recommendations were made and upon which the legislation was drafted.

Mr. WINCH: That may have been the viewpoint of the commission. What is the viewpoint of the government, or shall I say of your department? May I give one example? The Canadian Pacific Railway took over the Esquimalt and Nanaimo Railway on Vancouver Island and therefore took over the large grants—the original grants containing the finest timber in Canada and the finest, therefore, in British Columbia on Vancouver Island—and only last year they set up an outside corporation which in one year alone has sold \$55 million worth—I think this is the figure—of land. Therefore, they have obtained a very high percentage of good will in MacMillan, Bloedel and Powell River



Ltd. Therefore, is it your contention, although this money now is being made from free grants, that this should not be taken into consideration in respect of the operation of the C.P.R.?

Mr. BALDWIN: It is not my purpose to offer opinions. I would merely state that both the report of the royal commission and the legislation were based upon the conclusion that railway economics should be related to the transportation aspects and not to the corporate aspect which might be involved.

Mr. WINCH: Even though there is this grant to the railroad and it is getting the profit from the grant, the official position is that that should be ignored?

Mr. BALDWIN: Sir, I am not here to give opinions one way or the other. I am here to answer questions regarding the basis of the legislation.

Mr. WINCH: I can understand, Mr. Chairman, therefore, that we are going to have a very interesting review when we come to that.

The CHAIRMAN: The proper time will be when we have a witness to whom such questions could be directed.

Mr. WINCH: I will ask one more question although I have many others. I imagine Mr. Spence is taking note of this on behalf of both railroads. This question has reference to the abandonment of lines. The information given to us at the last meeting was that the matter of abandonment of lines would go before a branch line rationalization authority, and if my memory is correct there would be three commissioners on this authority.

First, the abandonment of lines will go before the Department of Transport and therefore the Minister of Transport, as this is strictly a railway matter, and I presume that all evidence relative to the branch line—economic information so far as the railway is concerned and economic information so far as the people, industry, elevators, and so on, on the line are concerned—would be submitted to the board of transport commissioners and therefore to the Minister of Transport in the last analysis. On what basis is the new policy announced that the final decision will be made by the branch line rationalization authority and the minister of Agriculture?

Mr. BALDWIN: The whole procedure is changed under the proposed legislation. The Minister of Transport would not be involved in this because the board of transport commissioners operates as a quasi judicial autonomous entity, although there are appeals to the government. The rationalization authority would be responsible, if this legislation is passed, to the Minister of Agriculture because it was recognized that the main problem in relation to branch line abandonment centred in the prairie provinces and was closely related to the agricultural aspect of the provinces.

I do not know whether or not I need add anything more. The procedure is not quite as you have outlined it. An application would go to the new authority which, after having planned how the applications would be dealt with, would ascertain from the board of transport commissioners whether or not the particular branch line involved in the application was losing money. If it is, it would become eligible for subsidy.

Mr. WINCH: It is also stated that the abandonments could not be later than five years.

Mr. BALDWIN: The fact that the five year period is not the final terminal date. The intention is to provide for regular review in relation to the abandonments.

Mr. WINCH: Under the proposal is the final authority vested in the Minister of Agriculture, the Department of Transport, or the board of transport commissioners?



Mr. BALDWIN: The final authority in the sense of immediate action is vested in the authority which reports to the Minister of Agriculture. It is given power to make these decisions on its own, although there are powers of appeal to the government.

Mr. WINCH: So, the final authority in respect of the abandonment of branch lines will rest with the Minister of Agriculture?

Mr. BALDWIN: No; with the authority, with right of appeal to the government.

Mr. WINCH: To the government or to the board of transport commissioners?

Mr. BALDWIN: Not the board of transport commissioners. Their only role is to determine whether in fact money is being lost on a particular branch line operation. They do the costing.

Mr. WINCH: You now are completely separating the authority of the board of transport commissioners on the question of abandonment of this kind of branch line?

Mr. BALDWIN: That is correct.

The CHAIRMAN: Gentlemen, I think if we continue to proceed in this way we will be jumping from one place to another.

I listened to Mr. Winch at the beginning, because he was more or less talking about the background of the bill as stated by Mr. Darling in his remarks on Thursday. However, I think it would be much more useful if we should all decide to base our questions at the present time, following Mr. Darling's brief, on the background of the bill, then take up the rates clauses, then the branch lines, and so on. Otherwise we will be jumping from one group of clauses to another. If there are any more questions on the general background of the bill at the present time, we should have them.

Mr. REGAN: Mr. Darling, I would like to ask you a general question. Regarding the solutions that the bill provides and the problems that the royal commission was set up to study, I notice in your testimony on Thursday at page 749 you said in essence as follows:

—the problem of that royal commission was to find some answer or solution to the periodic and successive horizontal increases in freight rates. In so doing, the commission was to consider the setting up of a system that would make for a healthy railroad system in Canada.

I would put to you this question: Is it not a fact that the actual terms under which this commission was set up were such that it was actually put before the commission to find a solution to the railway problem and also to look into the possibility of removing or alleviating inequities in the freight rate structure? You do not mention the second aspect of it. Would you agree that this is one of the purposes of the bill, and if so, what is there in the bill which provides relief for the inequities which the commission found?

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): I think this is in the terms of reference, where there is a reference to inequities in the rate structure. The royal commission interpreted this as mainly inequities arising from the horizontal percentage increase.

Mr. REGAN: I am sorry, but I cannot hear you well.

Mr. DARLING: The royal commission by and large interpreted these terms of reference as inequities arising from the horizontal percentage increases which have taken place. These increases in effect would leave certain areas of the country, and other forms of traffic untouched. These were the major inequities.

Mr. REGAN: If these are inequities to the shipper, what is there in the bill which rectifies them or provides relief from any such inequities to the shipper?

Mr. DARLING: The royal commission first of all aimed to place the railways on a self-supporting basis by relieving them of uneconomic lines and of other burdens and allowing them certain freedom to reorganize their services in order to compete effectively. It was the royal commission's belief that the result would be that the railways would be able to get by without future general increases in rates. Naturally there would have to be increases in some rates, but nothing is fixed as to that. The idea was that of rationalizing and making railway operations more economic, so that the savings from this would in effect put the railways in a position where they could make out without any subsequent excessive increases in rates.

Mr. REGAN: You say in effect that all the bill undertakes to do is to prevent the occurrence of future inequities or growth of the present ones. But if it is merely going to prevent inequities as a result of doing away with uneconomic operations, or if it is only going to result in further horizontal increases not being necessary, would you not agree that it does nothing to overcome the present inequities and that it leaves them in the present situation?

Mr. DARLING: I do not know what specific inequities are referred to. I think that all I can say in a general way on the point that you mentioned is that it seems to be that this bill is dealing with the railways and not providing anything for the shipper.

Mr. REGAN: That would be about it.

Mr. DARLING: It seems to me that there is a very clearcut answer to it. The shippers were looked after beginning in 1959 with the rate freeze. Subsequently the railways required an increase in the rates. The government then stepped in and absorbed an increase in the rates and has continued to absorb it. So for the last three or four years the shippers have been benefiting to the extent of \$70 million a year, a sum which they would otherwise have had to find in freight rates. It is hoped that the recommendations of the commission by making the railways more efficient will make it possible for them to recover their extra cost by more efficient services that the railways would be enabled to give to the shippers, and from which they have in fact been relieved for five or six years by these votes.

Mr. REGAN: When you say that our shippers have been relieved for five or six years, they have been relieved by over-all relief, and there has been nothing provided to assist the shippers who originally suffered from any inequity, or who by one commodity or another suffered from competition in a commodity by way of inequity. This relief since 1959 has merely been an across the board step to provide against anything further regarding rates. In other words, it does nothing to provide relief to any shipper who is at a disadvantage when compared to others. Is that an accurate statement?

Mr. DARLING: I do not know that I would say that there was an inequity existing. There may be people who from time to time have had reason to complain about their freight rates. But it seems to me that with six years of rate freeze, all these increases would have been across the board, and they would have had to in some manner, as with the previous increases on the rate structure, have been able to bear that increase, whether or not any of the freight structure has escaped this general increase.

Mr. REGAN: You will agree that you have mentioned that there is no relief in the bill against inequities suffered by the shippers?

Mr. BALDWIN: I think we must first define what is meant by inequity before we can answer the question of how inequity can be corrected. The decision of what constitutes an inequity at the present time is something which is vested in the board of transport commissioners. The philosophy of the new legislation changes the basic approach to this problem. In addition to trying to find a



method of relieving the railways from certain so-called burdens which place an economic handicap upon them, it advances the philosophy that a horizontal rate increase is bad in certain regions. The best solution is to try to let the rates find their appropriate level with competition as it becomes available, subject to a floor and a ceiling. But you will first have to define what is meant by inequity before we can answer what relief is afforded, if any.

Mr. WINCH: May I ask you why it is in many instances that it costs more to ship from Vancouver east than it does to ship from the east to Vancouver? If that is not an inequity, then what is it?

Mr. STEWART: Mr. Chairman, may we not proceed in a more orderly way?

The CHAIRMAN: Yes. Mr. Regan has the floor, and after that, Mr. Lloyd, Mr. Stewart, Mr. Hahn, and Mr. Horner.

Mr. REGAN: Just now you referred to the question of inequity which seems to affect one region as against another because of the consequence of the horizontal increase, and you recognize this as being an inequity. Now, speaking of this type of inequity, there is nothing in the bill which overcomes inequities which occur as a result of these horizontal increases. There is merely a provision which is aimed at—whether it will be effective or not—preventing an increase of these inequities in the future. Is that correct?

Mr. BALDWIN: The maximum rate will give substantial protection against certain types of rates which you think, if I understand you well, are inequitable. There will be a great deal of adjustment to the rate structure and to the value of the services and of the economic competitive conditions, which we hope would achieve some of these results. I think the philosophy—if I might refer to the basic philosophy of the royal commission—would be to say that if in addition to the special or original inequities which emerge out of this situation or continue, as the case may be, then other types of solution may be necessary on the part of the government to deal with them without placing an economic burden on the railways themselves.

You have, as I know you must, observed that the Maritime Freight Rates Act is preserved intact in relation to the new legislation, yet it is presumably a device intended to afford relief against inequity in regard to rates in the Atlantic provinces. From this numerous questions arise whether the current legislation or proposed legislation provides a solution to that particular inequity. That is why the royal commission recommended further studies, and that the government should launch further studies concerning that particular type of subject.

Mr. REGAN: I am sure we are all happy to hear that further legislation might be forthcoming to overcome this inequity. But we are interested in finding out what this bill does to discourage it. In reference to the Maritime Freight Rates Act, I note that it is not amended; but with the passage of this bill, will it not be further weakened?

Mr. BALDWIN: I do not believe so.

Mr. REGAN: You do not agree that it will. The Maritime Freight Rates Act proposes relief between maritime freight rates and those elsewhere in Canada. Surely you would agree that one problem with the Maritime Freight Rates Act is that it has been more difficult to maintain this relief because of the fact of competition in the central Canadian area. But you do not agree that the effectiveness of the Maritime Freight Rates Act has been lessened in recent years?

Mr. BALDWIN: If you mean by the horizontal rate increases, yes.

Mr. REGAN: But not because of the competitive situation with truckers which exists in central Canada, having regard to the maritimes?

Mr. BALDWIN: I think the answer I have given to that is that the trucking industry, as it has developed, has not been as great a factor in the maritime provinces, as rapidly, as it has been in central Canada.



Mr. COWAN: Have you ever seen the provincial roads in the maritimes?

Mr. REGAN: You would agree that there are a number of reasons such as the question of geography, the return of cargo, and other factors as well.

Mr. BALDWIN: Yes.

Mr. REGAN: If this bill frees the railways and puts more emphasis on competition, will this in itself not make the position attempted to be maintained by the Maritime Freight Rates Act less effective because, in areas where competition exists, the rates will continue downwards; whereas in areas where there is no competition, naturally the railways will wish to maximize their net income and will maintain the present rate or increase it?

Mr. BALDWIN: You will still have the protection now afforded by the Maritime Freight Rates Act. This is not changed by the present legislation. I mean with the passage of time the present trend in the maritime provinces will be to protect industry as a whole from becoming more of a competitive factor down there.

Mr. REGAN: Surely the competitive aspect of the trucking industry as against the railways in the maritimes is not a factor in rate making at the present time.

Mr. BALDWIN: Not as yet in a material way, but I expect that it will be. I was going to say that the best method of dealing with this situation is to state quite frankly that this legislation does not attempt to take care of the special position of the Atlantic provinces other than to preserve without change what they already have, in the knowledge that a series of special studies will be launched to deal with that particular problem.

Mr. REGAN: The only thing I am seeking to determine is that in the meantime, with the passage of this legislation, elsewhere it will have an effect, because of the competitive aspect of it in central Canada and that it will further lessen assistance to the maritime economy which is granted by the Maritime Freight Rates Assistance Act.

Mr. BALDWIN: We cannot agree to that. We do not believe that that is necessarily the case at all.

Mr. REGAN: If the railways are free further to lower their rates in competitive areas, they may do so in central Canada; whereas the Maritime Freight Rates Act maintains exactly the same situation which is there. We are in a position where the railways will have considerable freedom now to set competitive rates, and there is nothing in this bill to produce wholesale rate decreases. Various factors may be introduced into the competitive position by and large.

Mr. REGAN: Surely they will be in a position where they can lower the rates more freely than they can at the present time.

Mr. BALDWIN: They will have freedom to meet certain types of competition, but this is not to say that the whole level of competitive rates will be affected as a result of this legislation. I do not think this is so for a minute.

Mr. REGAN: Let me go further and ask you what control or regulation the government will exert over export or import rates in the new bill?

Mr. BALDWIN: This will be established by the railways.

Mr. REGAN: In the same manner?

Mr. BALDWIN: Yes, I would think so.

Mr. REGAN: In that event, when talking about export or import cargoes which originate in the hinterlands, or in the Ontario region, you are aware that the Maritime Freight Rates Act has no application to those cargoes. Moreover, with the Atlantic ports being further away from this hinterland, may

we not find that the rates to be established as a result of the new competitive aspect, or the new rates through Montreal and through New York to those ports, will endanger the business presently handled through the ports of Saint John and Halifax?

Mr. DARLING: I do not think the railways are wilfully going to alter a traffic pattern when they have a very great interest to preserve as much as possible the existing pattern, and even to increase export and import receipts. This is not something within the philosophy of the bill, but rather is something which is left to be worked out. Clause 9 provides for an examination of any of these problems which might arise. But the bill takes the attitude that so far as the actions of the railways and their customers and shippers are concerned, there is a determined rate making procedure, and they are emphatic about it. But, as we have had before, there may be cases which will arise where there are certain distortions introduced which are not explainable on economic grounds. There may be cases introduced which might be uneconomic when compared to national policy. But we are not attempting to take account of these cases in this bill.

The bill covers the question of a national transportation policy, and if there are cases which give rise to certain inequities existing, or which results from the working of this, and which are held to be contrary to national policy, the course of action is clear: that these should be provided for by some other means and that the carrier should be compensated for any deficiencies in the rates resulting therefrom. We are attempting to anticipate in advance what they may be.

Mr. REGAN: We feel it is our duty, when we have the opportunity to pinpoint exactly what the bill does, to see where these inequities exist, and to see what may happen to them. You imply that the railways would not object to maximizing their net income. Therefore, if there is substantial advantage to the railways in routing cargoes through Portland and New York, why would they not do so, since there is no longer a regulation to prevent them from doing so? And if they did this by statutory enactment, then is anyone empowered by this bill to do anything to prevent them from doing it?

Mr. DARLING: If the railways have a fair return on the rates in question now, there is no reason why they would want this traffic to be diverted via Portland and New York.

Mr. REGAN: Unless they could get a better return by doing so.

Mr. DARLING: If they are now making returns on their lines, there is no reason why they should divert traffic.

Mr. REGAN: Do you think they would make more money by diverting it to these other lines?

Mr. DARLING: No, but I do not know this is a fact.

Mr. BALDWIN: As a hypothetical answer, why should they divert, if they are making sufficient revenue under the present set up?

Mr. REGAN: To come back to this question, since you do not know if they are or not, whether they might think it better to go via Portland or New York, still, if that should be the case, there is nothing in this bill to prevent them doing it, and no one is empowered to stop them from doing it.

Mr. DARLING: Not in the first instance. There is, of course, the natural self interest of the railways in this matter. This course of action is available to them today in a sense. Traffic could be so routed even under the existing system. You are aware of the fact that a lot of these port rates are tied together in a general system in the Atlantic area.

Mr. REGAN: I know that. But you are doing away with this policy.



Mr. DARLING: No. This is something which is established by the railways themselves, and we are not interfering with it. I do not know why it would be in our interest to interfere with it.

Mr. REGAN: But if problems like this do arise, the time to meet them is at this time rather than attempting to build into the act a number of clauses which are against hypothetical movements which may or may not take place.

Would it not be better to include in the act some protection, or body, or person who would have the power to veto or bar a regulation in railway policy to do these things, if they so chose to do them?

Mr. DARLING: This would be contrary to the basis of the act, the aim of which is to permit the railways to carry on their business much as other businesses. As I said before, what the act does is provide, in clause 9, for a review of these matters. Problems may arise in the working out of this and, because of national policies, it may be felt that certain actions should be taken. However, unless this is done, the way it is in the act it will be done wholly at the expense of the railways. There simply will be an order made. This is the very point that the commission felt was most important; that is, that we should avoid mixing up the national transportation policy with the national policy.

Mr. BALDWIN: I am not a very good expert on rates, as you probably will find out, but it is my understanding that the type of situation you have described has arisen because of railway action and decision they have taken themselves and not because of any particular governmental recommendation. They can change it now if they want to.

The point with which I gather you are concerned is in respect of the right to correct this if some inequity does arise. My own problem is how to define inequity. Sometimes it is easy to define and sometimes it is very difficult. We still realize there may be occasions where something might appear to be against the public interest. Perhaps that is a better phrase than inequity—I do not know.

At any rate, we did recognize this. We attempted to cope with this in clause 9 in the bill which provides for an inquiry. This is one of the points which has been drawn to our attention in a number of representations, in which other points have been raised, and which the minister has agreed to review further. In a case where inequity—or whatever you may call it—does appear to exist, a right of review should exist and corrective action should be taken. Clause 9 was intended to deal with this problem. The minister is reviewing this clause further to see whether, in the government's opinion, it is adequate or whether it needs to be adjusted.

Mr. REGAN: I think it is good to have this discussion because some of us perhaps may feel too much freedom is given to the railways in these matters throughout the whole bill. You find that the power of the branch line rationalization authority is limited to recommending that one railway should give running right to another railway, or that they should exchange lines in the case of one company's branch line abandonment, and so on; but this rationalization authority can do nothing more than recommend.

The CHAIRMAN: Mr. Regan, I suggested—and we have followed the procedure up until now—that we proceed in an orderly manner. I understand that until now you have been speaking on the background of the bill and in particular rates. I would like you and the other members of the committee to realize that I do not like to jump from rates to branch lines, and so on, at the present time. I thought we would limit our questioning at this time to the background of the bill.

Mr. REGAN: That is fine. I was merely using an example of the philosophy of the bill of not having a power to decide these matters. I will allow someone else to take the floor now and I will return to this later.



Mr. LLOYD: Mr. Chairman, I will try to get back to what I think is the fundamental question of policy which is before us. This is contained in observations both in the evidence given by Mr. Darling and also in the explanatory notes of clause 1 of the bill. If I may get right back to basic things in order to set the stage for two or three questions I would like to put, may I refer to these statements. The first statement is in the explanatory note to clause 1 at the end of the first paragraph:

—all of which recommendations were made within the context of and premised upon a national transportation policy which would alter the traditional functions of the Board of Transport Commissioners for Canada and the rate-making principles followed heretofore.

The clause makes a general allusion to a change. Then on page 752 of the Minutes of Proceedings and Evidence No. 12 of Thursday, February 25, in the third paragraph, we find this statement:

The only thing that could be added to the general rationale for this particular system is it does restore to the railways a considerable degree of freedom in rate making.

Then two questions are presented:

But, is this desirable? What are the consequences likely to be? This will depend on the viewpoint.

From these two observations I think it might be appropriate at this stage to concern ourselves with what has been the past degree of government control over rate-making policies in respect of railways and the movement of goods domestically as well as internationally. I think it might be wise for us to examine what degree of control we are giving up. Are we giving up too much? How far did the Board of Transport Commissioners for Canada go in the regulation of rates; how effective was this control; were they well staffed, for example? Did they obtain all kinds of comprehensive information that would permit them to operate from day to day effectively in their function of rate making?

Mr. DARLING: I might answer that by pointing out that in respect of the clauses of the bill dealing with sections 317 onward, starting at page 15, the sections of the present act which are being withdrawn are shown. For example, there is a liberalization in the publication of tariffs; the time in advance of publication is reduced; and, in some cases, the right of the boards who suspend tariffs is withdrawn; the right of the board to prescribe different forms of tariffs—class rates, and such like—is removed. It now is left to the railways in their own business to make such rates.

Mr. REGAN: Heretofore rates were prescribed by the board.

Mr. DARLING: The act prescribes that the railways should have class rates, that there should be commodity rates, and that there should be competitive rates.

By and large the class rates were determined as a result of hearings by the board. In fact, the most recent class rate scale was adopted in the 1950's as a result of the equalization. This was prescribed by the board.

Mr. LLOYD: Did the royal commission have any observation to make with reference to the adequacy of the staff of the Board of Transport Commissioners for Canada to pursue their responsibility; were they adequately staffed up until now to carry out this function?

Mr. DARLING: I would assume so. Bear in mind, however, that there of course are now a great many rates with which the board is not directly concerned in the matter of competitive rates. I am not aware that there is any

delay in the board's calendar in hearing objections. They seem to be adequately staffed in this regard to deal with it.

Mr. LLOYD: What kind of statistical information, financial information, and cost information will be required to be filed by the railways with some agency of government, and what agency would it be?

Mr. DARLING: There will be very complete cost information that will be required and it will have to be filed with the board. This is incidental to the new obligation on the board to provide that all rates be compensatory. This is not a new obligation; it merely is underlined and expressed in different terms.

Mr. LLOYD: The reason I asked the question is, I do not see how you can effectively protect the public interest in any area of Canada without a continually comprehensive reporting of what is called the variable costs and the present financial operations of the two railways.

Mr. DARLING: This certainly is provided in the bill. In subsection (3) on page 23 it gives the factors that the board shall take into account in costs. The board's duty in respect of costs is contained on page 32, section 387B, and also 387A. These are spelled out in considerable detail. There is no doubt that the board has a continuing and positive obligation to inform itself in respect of the compensatory nature of the costs. With reference to the other aspect of its work, it will need to know costs very accurately with regard to the branch line abandonment and with regard to the passenger deficit.

Mr. LLOYD: Does this clause provide for the board's inquiry into and requests for reports in respect of all these statistics in order to make a comprehensive appraisal of the railways operation and rate making which heretofore has been subject to supervision by the board?

Mr. BALDWIN: I think I might say that the responsibility for costing for various reasons that will arise will mean that the board will substantially have to increase its costing and number of statements.

Mr. LLOYD: I am glad this observation is made. I think that sometimes in looking at the clauses in a bill one really does not get the picture of how things will function in reality after the bill is passed. It would seem to me that if the inquiries are going to move with dispatch there must be a flow of comprehensive information quickly, because otherwise you will have these inquiries going on like a royal commission for two or three years and by the time the report is out the information is outdated and no longer effective for your purpose.

I am satisfied to let this go with one final observation. You do fix the right of the railways to determine rates at a maximum of 150 per cent of what is called variable costs. Now, this kind of activity on the part of the railways, I presume, will be under constant observation by the board, if they are going to expand their staff and obtain the statistical and financial information they need to do this.

Mr. DARLING: They will have to have a very comprehensive cost section.

Mr. LLOYD: If Mr. Darling can do so, I would like him to give the committee some general justification for the choice of 150 per cent. Why is it not 100 per cent, 75 per cent or 200 per cent?

Mr. DARLING: Mr. Chairman, I really am being asked to make a short speech here, I believe. This is one of the most complex sides to the bill. I can understand the interest of members in the background that has gone into this.

The CHAIRMAN: Do you feel that this is the time we should go into such a specific question?

Mr. LLOYD: Perhaps not at the moment.

The CHAIRMAN: We can come to this when we come to some specific problem. At the present time we are dealing with the background of the bill.

Mr. LLOYD: I think this is something we might ask Mr. Darling to do at some time.

Mr. DARLING: I certainly am prepared to do this at whatever time the Chairman wishes.

Mr. STEWART: Mr. Chairman, I would like to return to the point which Mr. Regan raised. In his testimony before the committee last week at page 749 Mr. Darling referred to the royal commission report and the document now before us. He referred to a succession of general rate increases and then went on to say:

These increases, with increasingly great severity, had been bearing on the various parts of the country. Large elements of competitive rates were not sustaining the same increase and were thrusting the burden on non-competitive areas.

Now, in the following paragraph he says, in essence, that the problem of that royal commission was to find some answer or solution to the periodic and successive horizontal increases in freight rates.

I assume, Mr. Chairman, that it was this situation which prompted the appointment of the commission to which Mr. Regan was referring when he used the term "inequity". Is the document now before us, which presumably will become a bill at the next session, an attempt to deal with that specific problem which Mr. Darling suggested was the problem sent to the commissioners, or is this document intended to be a solution to another matter referred to by Mr. Darling when he goes on to say:

—the commission was to consider the setting up of a system that would make for a healthy railroad system in Canada.

Mr. DARLING: Mr. Chairman, I do not think these are separate issues. In dealing with the problem of how to avoid the impact of general increases, the commission saw the solution in a healthy transportation system which, in effect, was able continually to reduce its costs and absorb the increases in cost by greater productivity. It would seem to me the first question was the problem of the system and the solution was in fact the setting up of a healthy transportation system, freeing it from the side issues where it more or less had been an instrument of national policy and carried a burden upon it. The commission made the provision for the transferring of the existing subsidies in the specific field where they would apply directly; some would be phased out and others would be continued for reasons of national policy.

Mr. STEWART: Mr. Chairman, may I ask Mr. Darling whether he is convinced that the scheme or legislation here before us, which presumably is designed to produce a healthy railway system in Canada, is one that will meet the problem which prompted the establishment of the royal commission on transportation, as he, himself, has summarized these problems at page 749?

Mr. DARLING: I think the answer is yes. This largely is the result to be anticipated from the enactment of the bill. However, as I mentioned before, the bill does not provide for a continuing freeze. It does of course provide for a five year period in which certain rates will not be subject to the maximum if they are not increased. However, certainly the expectation is that as a result of the different orientation which the industry will have, the need for this type of increase gradually will disappear. Railways in fact will meet increases as they require them on certain types of rates, and so on.

Mr. STEWART: In the first volume of the report of the royal commission at page 11 you will find this passage:



The railways' status as an instrument of national policy, which had proved to be no encumbrance during the monopolistic period of transportation, was now turning out to be an albatross around their neck—a burden which certainly affected the degree to which the railways could adjust successfully to the new environment in which they were operating.

Let us assume the commissioners were correct in making this statement; I would like to ask what aspect of national policy is being abandoned in this scheme in this legislation so that the railways are to be freed from this albatross? What aspects of national policy are being abandoned?

**MR. DARLING:** They are not being abandoned entirely. There is the policy in respect of statutory grain rates. The railways now are to be compensated for this. Therefore, this means they will not be required to maintain these rates at that level with their own resources; they will be supplemented by the subsidy provision for the grain rates.

**MR. BALDWIN:** May I add that there are two aspects; one is that in general the legislation does not abandon anything; it adds to it by introducing new features of national policy, and perhaps, a most important feature is the idea that where the government feels as a matter of national policy, as distinct from transportation policy, that certain things should be done, it may require that these things be done which may not be economic. If they are uneconomic, the railways should be paid for the uneconomic portion of that by the taxpayers. You might describe that as a new aspect, although we think it really is an extension of things which already have developed. To the extent it is abandonment I would prefer to describe it as a variation in the approach to the rate making function.

**MR. STEWART:** Along with the suggestion made earlier by Mr. Lloyd that Mr. Darling prepare a statement later to be read into the record, may I suggest on this particular point that Mr. Darling or Mr. Baldwin might do precisely the same thing. I think it would be most useful to us to have on the record an expanded statement of what Mr. Baldwin has now said.

May I ask one final question. Much of this ground already has been covered by Mr. Regan. How is it envisaged that this scheme of regulation will affect the actual freight rates in the Atlantic area, specifically the maritime provinces? What do you anticipate will be the rate changes, if any? This presumably is a reasonable question?

**MR. DARLING:** I do not think there would be any radical change in such rates. The competitive factor in the maritime always is increasing and it will continue to be a factor.

**MR. STEWART:** When you talk about the competitive factor there, would you not have to distinguish between the competition within these provinces and competition in traffic moving between these provinces and Quebec and Ontario? Would you say in relation to both parts of this that competition is increasing at such a rate that it would make the provisions of this proposed legislation reliable as a basis for a freight rate structure?

**MR. DARLING:** Yes. I think this would be so. Competition is becoming more pervasive throughout the area, and on the longer distance as well.

**MR. STEWART:** What evidence do you have of that?

**MR. DARLING:** Well, there is the growth in truck transportation.

**MR. STEWART:** Have studies been made of this?

**MR. DARLING:** I am not aware of any specific work. We might have some data that we could prepare. I have here the waybill analysis for 1963.

Mr. STEWART: Mr. Chairman, again might I suggest the same procedure in relation to this. I would like to have a paper at a later time prepared on this so that it might be printed in the record and not necessarily read into the record.

The CHAIRMAN: That is a very good idea.

Mr. HAHN: I would like to follow up the point Mr. Stewart brought up. I think it would be very helpful to all of us if we have some fairly specific data so that we can see the impact of this bill on the rate structure. I believe many of us, like myself, really are not familiar with the rates which apply. Therefore, I wonder whether it would be possible to have this type of information provided, taking Toronto or Montreal as a starting point, giving the existing freight rates from either of those two points, let us say to Vancouver and to Halifax; that is, the rates of any competitive carriers that would be available on those routes as things stand now, and also rates that could be charged by the railroads if this bill were passed. In other words, I would like to know the maximum rate that could be charged by the railroads if this bill were passed.

Mr. DARLING: I do not believe the information here would be of too great help to the committee. Freight rates exist in enormous numbers and in almost equally great variety. I do not think anyone can offer a statement saying what the rates would be after the bill is passed. We are not prescribing rates. This would depend on the actual situations. The whole essence of the bill is that the rates will be determined by the railways and the shippers. No one will be in a position to predict.

Mr. STEWART: I think the problem is that in this bill we are doing two things; we presumably are allowing the railways to operate more competitively, and on the other hand we are going to have an effect on the rates that shippers have to pay shipping from two points. Now, if the bill allows the railways under the maximum provision to raise rates to a point where they start to impinge on our national policy and we have to throw a subsidy in to provide a new complete transportation between two points, I think we should be aware of this. In other words, what are we actually doing with this bill; what is the actual impact going to be in respect of freight rates? I think this is the crux of the bill.

Mr. DARLING: I think the major impact would be in those areas where competition is taking its newest and most intense forms. It seems to me that this is where freedom is now largely lacking. There is of course at present a very great freedom for the railways within certain areas to make rates, whether they be competitive rates, or agreed charges. These powers will continue to exist and operate. It is in other areas where possibilities are seen for the railways to improve their position. These are in areas where there are special movements, special equipment, special volumes and quantities, and specialized means of transport. These will be the areas to be affected and where it will immediately make the biggest difference between the passage of the bill and its not being passed. I am not able to say how far this will go.

Mr. BALDWIN: I wonder if it would help, following the questions you are developing, Mr. Hahn, if we should prepare one type of statement. As Mr. Darling said, we cannot explain what the rates will be because they will be subject to competition, except where there is no competition. That is a key point perhaps, because that is where your maximum rate formula should come in. It is not easy to say what the maximum rate formula would mean in any way because of any one line or any one commodity. This would be based on a pretty detailed cost examination by the board of transport commissioners, but it might be that we could prepare something in the way of a more detailed statement of how that formula is intended to work, having regard to what Mr. Stewart and Mr. Lloyd had in mind.



Mr. HAHN: I also am trying to find out in what way we now have a regulated system of rates.

Mr. BALDWIN: It is a partially regulated system, yes.

Mr. HAHN: There are some areas in which there are competitive factors because of other means of transportation; and by taking the rates off, competition will come into play. The rate that the railway can charge may not be the rate that they do charge. They may be forced to go below the maximum; and there will be areas where competition does not come into play. In this area the railways presumably will be going to their maximum rates. What I am trying to find out is if there are areas where, by going to their maximum rates, they will be upping the rates above the rates which now exist.

Mr. BALDWIN: I do not think they will necessarily, in such areas, be going to their maximum rates. I think the way the legislation would work would be that if someone feels he is being charged too much, then the railway legislation provides a method by which he can appeal and get a so-called maximum rate passed under a specific formula. But it does not necessarily mean that in this area the railways will be going up to the so-called maximum rate. This is a protective device, if you like, to ensure that someone who feels that he may not be getting fair treatment will know there is a formula to protect him. It will give him a maximum rate, but I do not think he can assume that this is the rate which will be charged by the railways in non-competitive areas. They may not go up to that at all.

Mr. HAHN: Is there any way that we can get what I am trying to get at, that is, the impact of this legislation upon freight rates? Would it actually cut out the freight rates? What could happen in the legislation to freight rates in non-competitive areas?

Mr. BALDWIN: I would like to think about this. It may be that we can work out some examples to give you an answer in terms of principle and philosophy.

Mr. HAHN: What I am getting at is this: if the railways do go to their maximum rates, if you decide to apply them in some non-competitive areas, would the maximum rate which the railways could charge be double or treble what they may now charge under the regulations? Because, if this were possible, it could have a serious impact on certain parts of the country.

Mr. COPE: Yes. I think it might very well be that the railways could institute a maximum rate; or it might conceivably be that the rate would be coming down.

Mr. HAHN: I think there is a different problem. The information I am trying to get could be left to Mr. Darling, to see if they could come back with information which would answer this problem.

The CHAIRMAN: Now, Mr. Horner.

Mr. HORNER (*Acadia*): Like Mr. Hahn I have an interest in the impact on freight rates that this proposed legislation would have. My first question is this: am I right in understanding that the board of transport commissioners will accept or use the costing formula as used by the Canadian Pacific Railway?

Mr. DARLING: You mean as set up by the Canadian Pacific Railway?

Mr. HORNER (*Acadia*): Yes.

Mr. DARLING: I do not know. The board will work out its own formula. There is nothing in the act whereby it must use that particular formula.

Mr. HORNER (*Acadia*): In the act it states that the railways shall study whether a line is uneconomic and therefore apply for abandonment. Of course



they are using their own yardstick. What I want to know is this. Is the board of transport commissioners going to accept their cost analysis, or would they have a cost accounting system of their own in regard to these abandonments?

Mr. DARLING: I think the board would make its own system and satisfy itself. It might coincide more or less with an existing system, but the board will be expected to set up its own system.

Mr. HORNER (*Acadia*): Has this been the rule in the past, do you know?

Mr. DARLING: You mean with regard to line abandonment?

Mr. HORNER (*Acadia*): Yes, with regard to line abandonment or other costing.

Mr. DARLING: The board has set up a system.

Mr. HORNER (*Acadia*): Are they not identical with the railway practice?

Mr. DARLING: They may or may not be. The board has made changes from time to time in the costing figures which have been produced before it. I can think of several specific cases of this. The end result is that you have the board's costing system. That there should be a measure of agreement is not by definition reprehensible. It may lie in the similarity of the factors.

Mr. HORNER (*Acadia*): In the competitive rates area does not competition drive the railways to rates lower than those which are compensatory at times?

Mr. DARLING: As you are aware the act attempts to provide against such an eventuality. The rate must now be compensatory.

Mr. HORNER (*Acadia*): As long as it is felt that in a non-competitive area it carries a greater share of the overhead or costs, is there any rule in the proposed bill whereby this can be safeguarded?

Mr. DARLING: I would not agree with that general statement. Where the overhead is carried is not a simple answer. A lot of commodity rates, because of the volume in which they move, do carry a considerable share of the overhead. There are of course a great variety of rates. You may have the same physical movements, and there may be a dozen different levels of rates charged for some of those commodities on single movements, so that the overhead may be more in some cases than in others. Or in the aggregate their share may be very small, where their movement may be very slight. This cannot be accepted as a general statement.

Mr. HORNER (*Acadia*): Well, within the accepted or non-competitive areas, it may not be by you or other people, but in the non-competitive areas, if you are wondering, Mr. Baldwin has given an example of the effect of this bill or a proposed bill similar to it. In answer to a question earlier, you agreed that you are going to abandon a rail line for one shipper and make the grain grower haul his grain a further distance. Then you say that grain is not paying its own way, and that we are going to have to pay a subsidy.

In the light of these two approaches to this non-competitive area, how does Mr. Baldwin substantiate that the railways could haul the amount of grain that they did haul in the last couple of years and yet not improve their financial position?

Mr. DARLING: We are not taking any position regarding the desirability or not of a subsidy on grain. Looking at it purely from a mathematical point of view and strictly from logic, over a period of years there were general increases. But grain did not take these. It may be for very good reasons, but the fact that it did not mean that other rates paid more than they otherwise would have done. So it seems to me that it follows as a mathematical calculation, and by the same token if a grain subsidy is not put in, then surely the railways would have to look elsewhere to recover the same revenue.

Mr. HORNER (*Acadia*): In making that statement you are assuming that the railways have lost money in hauling grain over the years.

Mr. DARLING: The bill does not say that.

Mr. HORNER (*Acadia*): That is a statement you just made.

Mr. DARLING: No, I did not say that at all. I said I was leaving that question neutral. I am saying from the fact that the grain did not take the increases, the railways had certain revenue requirements and had to meet them out of other rates than grain rates.

Mr. HORNER (*Acadia*): This is the very thing I am objecting to. They say that because the railway rates were held low on grain, other people had to pay more. Therefore the railways lost money.

Mr. DARLING: I mean that the railways may be making money, from grain, but from the mere fact that grain did not take the increase, it seems to me that the other rates had to take a bigger increase.

Mr. HORNER (*Acadia*): Let us look at competitive rates. Did they take the rail increase?

Mr. DARLING: They took some increases, not only the general, but also some particular increases. But that is not the point I think which you are making.

Mr. HORNER (*Acadia*): I am trying to look into the future to see what effect this abandonment of control of railways has had in a sense, or will have over freight rates. Now, turning myself to the non-competitive area, I see that you will limit the price which may be charged for cost.

Mr. DARLING: There are a considerable number of competitive rates, and agreed charges applicable between eastern and western Canada, and competition is already a factor in this movement.

Mr. HORNER (*Acadia*): This is true in some areas, but there is not nearly the competition that exists in other parts of Canada.

Mr. DARLING: No. But if one wishes to pinpoint it, there are no minimum or compact geographical areas where one can say that these are non-competitive. Locally anywhere in the country short-haul competition is almost all pervasive. Certainly this is so in the province of Alberta. But there are types of long-haul movement where competition is not a factor, and there are other types where competition is very intense. It is impossible to generalize. These movements are not concentrated in any particular area. They may exist in various parts of the country, and only apply to certain commodities here and there.

Mr. HORNER (*Acadia*): I think it was generally agreed in western Canada, and I know that in the prairie provinces that three governments accept the position that they are in a non-competitive area with regard to rates.

Mr. DARLING: I was thinking of it in terms of your internal traffic.

Mr. HORNER (*Acadia*): Maybe not so much in the case of internal traffic. I am talking more about trans-Canada traffic.

Mr. DARLING: There have been increases in the number of competitive rates, and there are of course competitive carriers or highway operators across the country.

Mr. HORNER (*Acadia*): You do not feel that in turn in this whole area, as I understand it, in Bill No. C-120, you are putting the onus on the shipper to prove that in the case of goods he is shipping out of his area that it is a non-competitive area, and that he must prove what the rates must be?

Mr. DARLING: He must establish that there is no other practical means of transportation open to him.

Mr. HORNER (*Acadia*): Could not the onus be put on the other side of the ledger? Is it not a case of every man being innocent until he is proven guilty?

Mr. DARLING: Would it not be better to let him speak on his own behalf? If the railways were left to set it, they might find where he had competition when he himself did not think that he had.

Mr. HORNER (*Acadia*): I feel that this is one of the areas where some changes should be made, and I feel it in the case of grain rates and grain producers and in the combined effect of branch line abandonment and the subsidy. How do you feel? How can you people make these claims in the light of the figures and experience that I have had in my handling and hauling of grain.

Mr. DARLING: We make no such claims. Any grain rate legislation provides for the payment of any deficiency in the revenue over the cost. If there is no deficiency, then there is no payment. Any excess of revenue over the variable cost is credited. This is deducted from the contribution to overhead as provided for in the bill. If the railways can successfully rationalize their grain handling operations, they will greatly reduce their cost, and then they would receive no subsidy and on account of a deficiency of revenue below their costs and the amount they would receive as a contribution to fixed costs would be greatly reduced. The bill does not state that this exists, but it provides for the benefits when found to exist.

Mr. HORNER (*Acadia*): You may say that the cost exists. But now let us turn to non-competitive areas. In the 17 per cent increase of some years ago, this was moved back to 10 per cent. But most of it went as a subsidy on goods moving from western Canada, or a lot of it.

Mr. DARLING: I cannot answer as a fact where this went.

Mr. HORNER (*Acadia*): I think there is evidence before this committee about it and in other places, and it is a fact that the prairie provinces benefit percentagewise because of the low value.

The CHAIRMAN: Now, Mr. Crouse.

Mr. CROUSE: I have many questions to ask, but one question which puzzles me concerns the manner in which you reach a determination whether a line is economic or not; I mean a branch line.

The CHAIRMAN: Are you getting into specifics here? We were trying to discuss the background of the bill, and after that we planned to start with rates, branch lines, and passenger service. If you have a question on the background of the bill, I suppose it is all right. Could you frame your question having that principle in mind?

Mr. CROUSE: Yes, I think so. At the moment I am thinking of branch lines in my constituency.

The CHAIRMAN: I know.

Mr. CROUSE: I am rather interested in how you would determine the economics of this area? Do you do it by determining the freight going into a certain area or the freight which originates in that area, or by a combination of both? The line I am thinking of is a branch line in Queen's county which services the Caledonia area. It runs from Bridgewater to Caledonia. Now, if that line were abandoned it would have a considerable effect on the people coming into the area as well as on the freight which leaves it. It would certainly have an effect on the town of Caledonia. Where do you start to figure the economics of these branch lines? If you should abandon the branch line from New Germany to Caledonia, for example, it would have an effect on the shipment of mineral products as far west as Winnipeg, and it would have an effect on the shipment of lumber from Caledonia to Halifax, because at the moment the railway carries lumber from Caledonia to Halifax. But if the line were abandoned, it would be necessary to load that lumber on trucks at Caledonia, and those trucks certainly would not stop at Bridgewater to reload the lumber on to the railway. They would surely carry it straight through to



Halifax, and this would affect your freight. I am curious to know where you start to equate the economics of branch lines. I hope my question is within the orbit of the Chairman's ruling.

Mr. COPE: You have established a specific question and perhaps we might dispose of it at this time.

The CHAIRMAN: I would not like to think that we were getting into branch lines right away, because no one has been dealing with specific cases up to this point. However, if you wish to dispose of it at this time, you may go ahead, if it is the wish of the committee.

Mr. STEWART: It seems to me that Mr. Crouse has raised a very specific instance, and the very question that we should be dealing with, in referring to a complicated system which would be applicable to any particular portion, or the effects of which would be apparent throughout the entire system. If we can assume that any question concerning branch lines is relevant, then surely this is one.

The CHAIRMAN: Perhaps so, if not in too great detail.

Mr. CROUSE: I merely mentioned the details to assist in presenting the problem. But I submit it could apply to all branch lines right across the country.

Mr. COPE: First of all, in evaluating the economics of branch lines, revenues are taken into consideration. These are the total revenues from the origin to the destination of any particular movement. These can no doubt be pinpointed to the revenues associated with the movement of a particular product. If there is a branch line in the maritimes, and if there is a shipment whose final destination is western Canada, the total revenue of that movement may be taken into account. In railway terms the total revenue associated with the movement of any goods from central Canada to that branch line would be taken into account. On the cost side, the costs which are taken into account are the total costs associated with the operation of that particular branch line. In addition to that, there are variable costs of the movement of goods from the originating point to the destination point.

For one thing, you have your fixed plus your variable costs, and your branch line plus your variable cost on traffic moving over other parts of the system as an indication of the difference between revenues as I have described them, and of the costs as I have described them.

The CHAIRMAN: Are there any other questions of a general nature?

Mr. BALDWIN: This does not mean that the off branch line situation is taken into account in the cost of your actual branch line. The formula is slightly in favour of the branch line.

Mr. HAHN: I have one more question which might be answered by way of information. This deals with the problem of subsidies. Would it be possible to get us a breakdown of the subsidies currently paid, and a breakdown of subsidies estimated under the provisions of this bill?

Mr. DARLING: Yes, certainly.

The CHAIRMAN: Now you will recall that the next group of clauses relate to rates. I was hoping for some time that we might limit our questions to rates. What clauses are they, Mr. Darling?

Mr. DARLING: These start with clause 17 on page 21 and carry on to page 26 of the bill, with clauses 17, 18 and 19, roughly speaking.

Mr. WINCH: According to the information given last year when rates were taken up, Crowsnest rates were clauses 17 to 21. Are you going to include them both together?

Mr. DARLING: No. That is a separate subject.

Mr. COWAN: When Mr. Baldwin was giving evidence the other day he was interrupted for lunch time. When I came back in the afternoon to ask a question, there were only you, Mr. Chairman, and Mr. Baldwin here. At page 20 of the bill, under clause 329 (a), you have a definition as follows:

- (a) Atlantic port means any of the ports at Halifax, Saint John, west Saint John and Montreal, and any of the ports on the St. Lawrence river to the east of Montreal;...

Has Montreal ever been called an Atlantic port before this revised bill?

Mr. DARLING: It is only here for the purpose of a grouping of rates which are in the same class. These are the rates affected by the bill. The term could have been something other than Atlantic port.

Mr. COWAN: I think it should be. Montreal has been classified as a great lakes port, on the St. Lawrence Seaway. I am interested in the water level of lake Ontario, but I hope that Halifax does not wish us to raise the level of Bedford basin, as the next move. Montreal is a great lakes port now.

Mr. BALDWIN: We are trying to find a definition for a group of ports for rate making purposes, not necessarily for geographic purposes.

Mr. WINCH: Are we to have the minister with us this afternoon?

The CHAIRMAN: He has so indicated, provided we can meet this afternoon.

Mr. WINCH: Now that we are getting into details would you permit a question on a particular principle or policy in the bill or only on the bill?

The CHAIRMAN: I may only permit what you allow me to permit. If the minister is here this afternoon I suppose there may be some particular question which you may wish to ask him. But at the present time we should go ahead with rates.

Mr. COWAN: If you are going to cut in Montreal and the Atlantic provinces both, does that mean that Montreal and Halifax are going to be happy with everything that goes on?

Mr. DARLING: These are winter rates to these ports and the traffic which actually would move to the port of Montreal under these rates is almost negligible; but they are in fact on the same basis as the rate to Halifax and Saint John. Rather than split them they could be called Atlantic and St. Lawrence ports for the purpose of the legislation.

The CHAIRMAN: Are there any other questions on rates?

Mr. GRANGER: The beginning of section 334 (1) in clause 19, says:

Except as otherwise provided by this act all freight rates shall be compensatory;—

How will that affect the present rate structure in the Atlantic provinces, for instance, on freight to Atlantic ports and St. John's, Newfoundland?

Mr. DARLING: I do not think now there are any rates in existence that are below the compensatory level. On the other hand, the rates that exist, of course, will continue where applicable to bear the maritime freight rates subvention. The compensatory level will include the subvention. It will be the gross rates that will be compensatable.

Mr. GRANGER: I am thinking about the difference existing between the eastbound and westbound rates. May we discuss this?

The CHAIRMAN: Yes.

Mr. WINCH: If so, then may I ask that this include British Columbia. We want to know why British Columbia is discriminated against.

Mr. GRANGER: As I understand it, one of the problems from time to time is the difference in eastbound freight and westbound freight. These differences

exist. Could you give me an outline of why this difference exists and whether or not an equalization can be hoped for in the future?

Mr. DARLING: There is a very good reason this exists in the maritime provinces. The Maritime Freight Rates Act subvention applies only within the maritime provinces and on goods travelling from the Atlantic provinces to central Canada. It does not apply to goods moving in the maritime provinces. The reason for this always has been, I think, the reluctance of the maritime industries to facilitate the competition of industries of central Canada in the maritime market by giving them low freight rates. The Maritime Freight Rates Act is for the benefit of the maritime provinces and the movement of their goods to central Canada.

Mr. GRANGER: And within the Atlantic provinces?

Mr. DARLING: Yes.

Mr. GRANGER: Do you foresee, with the passage of the proposed legislation, that there can be any upset in the present arrangement? What I mean by upset is a revision of the freight rate generally upwards in the Atlantic provinces?

Mr. DARLING: I do not see that this is to be expected in any positive way at all. I think the situation now is that these rates are compensatory; they are not frozen, of course, but there is no reason they should be singled out.

Mr. GRANGER: You say they are compensatory now, or believed to be.

Mr. DARLING: They should be under the existing act; that is, the gross rates including the subvention.

Mr. GRANGER: The passage of this legislation would not mean that the frequent demand for adjustments or requests for adjustments in rates in the future would be restricted; am I right in assuming that?

Mr. DARLING: That is right. In fact, in many cases it might even be facilitated by the legislation. At the present time, the rates tend to take a position sort of like that at the intersections of a spider's web, as it were. If you depress one, there is a whole area around the bottom which similarly is affected. So, the railways are not in a position to take care of individual situations; this means they must more or less forgo looking after an individual shipper in this respect.

Mr. GRANGER: We are particularly interested in this because the Atlantic provinces supply a captive market for railway transportation, certainly at least for part of the year, and to a great degree all over the year. That is all for the moment, Mr. Chairman.

Mr. WINCH: I have a question on the same principle. You are not going to get me away from the situation in respect of the differentiation between east-west and west-east. Under the proposals here is there anything at all that will mean the correction of a situation which, as you know, we always have maintained is outright discrimination against the province of British Columbia when shipping east.

Mr. DARLING: Well, first of all, there are a great variety of rates. The mere existence of difference is not ipso facto an indication of an inequity. The reason for the rates being very low going to British Columbia, of course, is the very favourable competitive situation which exists going in that direction.

Mr. WINCH: You say it is competitive going west to British Columbia, but then they have to come east again, because whether it is a box car or a truck, it still has to come east.

Mr. DARLING: This is true. Of course, there are some competitive rates moving in the other direction. I just do not know what the volume is. This is something determined by the factors in the market situation.



Mr. WINCH: Under this clause is there any possibility of equalization of freight rates so far as British Columbia is concerned, east-west?

Mr. DARLING: Not on the mere claim that the rate is different. If there is an indication of an undesirable twist in the structure, then this is a matter for a national policy consideration.

Mr. WINCH: Then, could the witness give me one sensible reasonable answer with reference to why there should be a difference in east-west to west-east in respect of British Columbia?

Mr. DARLING: Of course there are many reasons for the difference. I can only think that there are different forces or competitive factors. Offhand I do not know why this should be.

Mr. WINCH: I am sorry, Mr. Chairman, but I cannot understand why there should be a competitive difference between east-west and west-east. As I said a moment ago, a box car goes to British Columbia and it has to come back, and if a truck goes to Vancouver it has to come back. Now, where does the competitive factor come in; why does it cost more to ship east than it does to ship to British Columbia? We do not have any maritime freight assistance in British Columbia.

Mr. DARLING: The volume of movement is greater moving west and there is more competition there between the Canadian and United States railways. One of the factors which has influenced the competition is that California is a closer point of supply. The matter of why the difference should exist in any one case I think would be something which would have to be studied in respect of the actual conditions which have arisen. I do not think there can be any hard and fast reason. They might cover a certain prevailing movement in one direction and not in the other.

Mr. WINCH: If this continues, I think you may have a greater separatist movement in British Columbia than you have in Quebec.

Mr. STEWART: Now we are on this matter of rates specifically, I would like to ask two or three questions. At the top of page 26 in the bill, subsection (9) of the proposed new section 335 says:

This section is subject to the Maritime Freight Rates Act.

Would one of the witnesses spell out what legal situation will result as a consequence of this subsection?

Mr. DARLING: Well, this would refer to the preference in respect of rates on goods going to select territories, namely the Atlantic provinces, under the Maritime Freight Rates Act. The duty of the board now is to see that these rates are maintained on the basis authorized in the act. Where the standards change, it is the duty of the board to see that the Maritime Freight Rates Act is in force and in harmony with the changes.

Mr. STEWART: Let me ask this: Here I am trying to discover the effect of the present proposed legislation; let us assume that on a particular commodity moving from Halifax to Montreal it is decided, through the processes set up here, that only the maximum rate can be charged. How will the provisions of the Maritime Freight Rates Act, which are geared to provide and set prices in relation to certain other rates, intervene in relation to this maximum rate, assuming that they do not coincidentally strike at the same figure? My understanding is that the Maritime Freight Rates Act is overriding this act. Are you saying that a whole set of operating calculations will have to be maintained in order to apply the Maritime Freight Rates Act? You will have to know what the rate, against which the maritime rates would be compared, would be in order to decide whether or not the maximum rate provided under this formula here would apply.

Mr. DARLING: This is what is done today, of course. These tariffs are published and they state on their face that they conform to the Maritime Freight Rates Act, meaning that those rates have been authorized by the board. If I understand your question correctly, you are saying if the maximum—

Mr. STEWART: May I try again? Let us assume on a particular movement of goods, once a decision is made that there is no significant competition—to use a clumsy expression—that the maximum rate ordinarily would apply.

Mr. DARLING: Yes, but under the Maritime Freight Rates Act the rate that the shipper would pay would be the net amount. It will be the gross rate that will be measured by the standards of the act, and it is the net rate that is paid by the shipper.

Mr. STEWART: I think we are not communicating.

Mr. COPE: I think the answer to your question is that the shipper would benefit from the lowering of the two rates.

Mr. STEWART: In other words, two separate sets of duplicate calculations would have to be maintained at all times.

Mr. COPE: I think perhaps you confuse this question of sets. Certainly in maritime freight rate matters there are a number of rates established, and there are some things you can describe as sets. However, I do not envisage the maximum rates in the same way. These probably would be rare and would be applied for, and special situations would come into play. So, you will not have two elaborate sets of recordings. You will have one elaborate record probably, and another series of applications of the maximum rate formula.

Mr. STEWART: Mr. Chairman, I may wish to return to this whole subject later.

The CHAIRMAN: Are there any further questions on rates?

Mr. REGAN: Well, Mr. Chairman, would the matter of discrimination in rate making fall under the general topic of rates?

Mr. DARLING: Yes.

Mr. REGAN: I would like to pursue that matter for a moment or so if I might. It seems to me that the royal commission recommends that the railways should have more freedom in making rates. The bill repeals the prohibition against discrimination so long as the rate does not fall below the variable cost. If they keep above the variable cost the railways are free to discriminate against any shipper or locality. First of all, do you agree that the situation I just have described is accurate?

Mr. DARLING: Yes; that essentially is so.

Mr. REGAN: Then, do you see any danger in the railway being able to discriminate to this degree in setting its rates as between various competing shippers, between similar products, or between localities? The railways is left a very wide limit with regard to the rate that it can charge two competing shippers with similar products. Is there not the possibility that a railway having a special interest in a company or shipper might use this rate making freedom to discriminate in favour of that particular shipper by giving him a lower rate than it would give to a competitor with a similar product?

Mr. DARLING: That possibility, in theory, could exist. In fact, the royal commission did make one recommendation with respect to your suggestion. This is included in the bill and actually refers to the question of the piggy-back rates. This appears in clause 10 on page 16. It is subsection (9) at the top of the page. This requires that similar facilities be provided for all truckers where the railway has its own trucking service. This, in fact, was one of the cases which you are mentioning, I believe.

Mr. REGAN: Yes. So, in this particular instance, regarding piggyback operations, protection is provided against discrimination by this clause.

Mr. DARLING: Yes.

Mr. REGAN: But do you feel it is wise, where there always has been in the past prohibition against discrimination that, other than the protection provided for this particular class of shipper, all other shippers are left to the tender mercies of the railways.

Mr. DARLING: I think it must be assumed that the bill is going to be neutral in its wording. It does not assume that shippers all are possessed of inherent virtue, nor is it assuming that the railways have original sin. One can provide for all types of antisocial acts, but is this necessary? To me this seems to be a case where if it exists it should be dealt with specifically; otherwise the whole purpose of the bill could be undermined by hedging around to meet the hypothetical problems.

Mr. REGAN: Surely, Mr. Darling, you do not suggest that having a provision in the bill providing that the railways could not discriminate—and so that a shipper who felt there was discrimination would have power to appeal—in any way would affect the freedom of the railways to operate as is envisaged by the principle of the bill.

Mr. DARLING: I think it might in some cases.

Mr. REGAN: Then you are suggesting that the railways should be free to discriminate between shippers?

Mr. DARLING: Yes, in certain instances.

Mr. REGAN: What beneficial result would you envisage from this?

Mr. DARLING: I am thinking of cases where there are new forms of transportation. We may have new industries established which are using new methods of manufacture on a larger scale. They want transportation all over the map. When they look at what the highway services have to offer, there is a complete gamut of service they can choose; they can use the common carrier by hire, they can use a compact carrier, or they can use their own trucks and all different types of trucks. They have all this available. If the railway is to meet this type of competition and be tied to strictly common carrier functions, they are not going to get this kind of traffic.

Mr. REGAN: Then you are suggesting that where there is an existing industry making a competitive product, the railway should be able to offer this new industry a lower rate for transporting its goods in order to obtain the business; that is, a rate lower than that which it is giving to existing industry.

Mr. DARLING: If the traffic can be handled at the new place at substantially lower cost, then the railways, in order to obtain the traffic, should be permitted to handle it.

Mr. REGAN: I do not think I follow you.

Mr. DARLING: What we are covering here is the possibility of the railways tailoring their services to any type of transportation.

Mr. REGAN: What I am saying is that this bill gives the railways freedom to quote one price to company A and another price to company B in respect of the same type of service. Is that not correct?

Mr. DARLING: Yes, that is correct.

Mr. REGAN: That is not a question of giving a different type of service; it is a question of the same service. In view of the ever-expanding octopus that the Canadian Pacific Railway is and the fact that they are involved in many types of operation, can you not see a danger in that they might choose to give a better rate to a company in which they are financially interested than they would give to another company which is a competitor, for exactly the same type of service?



Mr. DARLING: Here again I think this is a problem that would better be solved by an investigation of the issue itself rather than provide against it in the act.

Mr. REGAN: Despite the fact that there would be no limit set under this bill except by subsequent statutory enactment.

Mr. BALDWIN: The reason we are trying to make the distinction in clause 9 is that we recognize the need for a review of something which you might describe as discrimination. This becomes terribly difficult in law under the new vehicle with regard to rate making which would allow the railways flexibility to meet a competitive situation. That does not mean that we reject the need for some right of review of particular problems. This goes back to my earlier comments in respect of clause 9.

Mr. REGAN: Do you agree that the bill is removing what we have had in the past—that is a prohibition against discrimination—and is replacing it merely with the power that if it is felt the public interest is a factor an inquiry can be ordered. The inquiry does not have the power to do anything other than make findings. Is that accurate?

Mr. COPE: We have had no prohibition against discrimination. Now there are several different groups of rates; there are the class rates and the competitive rates, and in between these groups there can be discrimination.

Mr. REGAN: You say you have had no prohibition against discrimination?

Mr. COPE: Not over-all prohibition.

Mr. REGAN: Perhaps not over-all—although I would like to consider that point—but certainly the effect of the entire system of rate structure has been such as to provide effective prohibition against discrimination between individual shippers. Is that not accurate?

Mr. DARLING: I think you have to consider the context.

Mr. REGAN: May I have an answer?

Mr. COPE: I might think of this for a minute.

Mr. REGAN: Fine. It is not only a question of discrimination between shippers, but it seems to me that this freedom in rate making in respect of commercial and individual shippers also can be used by the railways to determine whether a shipper can or cannot enter a market; that is, for instance, whether Halifax can or cannot compete on equal terms with other North American ports. If you can quote various specific different prices, then you can push them to whatever port you decide is going to be used for a commodity thereafter. Is there not a danger of discrimination in that regard also?

Mr. DARLING: First of all, surely the aim of the railways is to increase the volume of their traffic. They are not going to act in any way that will cut off their noses to spite their faces. They will try to maintain rates that will move this traffic. Let us remember, because of the very nature of the complaint you cannot remove it entirely. For any given rate system, for a shipper there is some point beyond which he is kept from shipping because of the height of the rate. This exists under any situation and who should determine where this limit is? You can reduce that rate 50 per cent and extend the market, but all this will do is probably put him tantalizingly just outside reach of another market. It seems to me that the point of the commission's policy is that this should be determined by the competing factors of the railways and shippers.

Mr. REGAN: Are you not incorrect in saying that the purpose of the railways and their aim is only that of moving traffic?

Their aim is surely that of maximizing their net income, and if they achieve it better by concentrating all products of a certain nature into one market, or into one shipping point, then perhaps this is more economic for them than to move those products a greater distance. I mean that it brings them greater revenue in the over-all picture and produces the economies of size and concentration.

MR. DARLING: I would say that to enable them to achieve this would in effect involve them in a very obvious distortion of a rate structure which would become obvious and eligible for study under clause 9. I do not think you can assume that the railways are in effect going to produce such a distortion. It might arise for various reasons, and if so, it could be handled on an ad hoc basis. The commission was very insistent that these proposals would not mix with the existing system of regulations. Volume II, page 85 makes reference to the maximum rate proposals "solely as a replacement to existing rate regulation, not as an extension of it. The old controls and the new will not mix".

I would say that a large part of the reason for discrimination will be in effect taken care of by the growth of competition. The commission felt this would spread and would eventually become a powerful deterrent against some types of discrimination. But in any event it seems to me to be difficult to assume that any carrier would permit it.

MR. REGAN: Let us assume the provisions of this act require a great amount of good faith in what the railways will do without adequate protection being actually provided for the public interest. Their good faith in relation to this may be questionable because of some of their past practices. For instance, for the moment, many have indicated that they lost on some of their operations, when the royal commission figured the loss to be much lesser than seemed to be accurate. I refer in general to their actions in seeking abandonment of their services. Of course this may apply more to the Canada Pacific, because I think the Canadian National has seen the error of its ways in that regard. But in view of the deceptive tactics practised by the Canadian Pacific Railway, do you not think that this is a tremendous amount of trust which has been placed in them not to discriminate and not to take advantage of their right to freedom and not to act to the disadvantage of one locality and that the body of trust that has been placed in the railways system may be misplaced?

MR. DARLING: I would not agree at all with the main premise of your question. I think the purpose of the commission's proposal is to regard the railways as other transportation industries are regarded, as just another business. These possibilities exist in other businesses. There has been less security there for public interest, and yet no great problems seem to arise.

MR. REGAN: Other businesses are not monopolies in the sense that a railway is a monopoly in this country.

MR. DARLING: The railway is not a monopoly today. There are certain industries which possess a small element of monopoly just as much as does the railway. Because regulation of freight rates has been a long accepted thing, there has arisen an attitude of distrust of the railway companies. Whether it is justified or not, I do not know, but I do not think it should be imported into the statute. If there are problems arising, they will be dealt with ad hoc.

MR. HAHN: Perhaps I might ask Mr. Regan why it is that he thinks the country, the world, the railways, and the Canadian Pacific all conspired to wipe out the city of Halifax? Now getting back to the rate structure, as I understand it the maximum rate provision applies when a shipper declares himself to be captive, and that he has no other practical means of shipment other than by the railway. Having initiated the rate, the railway has sug-



gested the philosophy that he should then apply to the board to have the maximum rate set. However, he is then obligated to make all his shipments over the railway for the period of one year.

Mr. DARLING: That is right, but only for those shippers affected by the maximum rate.

Mr. HAHN: Does this not provide a possible problem in the great lakes area where seasonal factors may come into effect? The shipper may well ship in the summer season from one great lake port to another, or down to the coast by water carrier, but it may suit his economic interests. But in wintertime, when that method of transportation is not available to him he may be forced to go to the railway, and have the railway as his only other means of shipment. Under these provisions, he would be forced, as I see it, to make all his shipments throughout the year by railway or lose his ability to have the maximum rate set out for that portion of the year when he is obligated to ship by railway.

Mr. DARLING: If your shipper has water competition for six to eight months a year, he possesses a big club over the railways. This is in fact what does happen where the railways are forced to bargain to obtain the traffic the year around. The shipper is not really captive in the full sense of the word.

Mr. HAHN: I think that the shipper should be able to take advantage of low water rates in summer and still get a fair deal with his shipping rates in winter, when this kind of transportation is not available to him.

Mr. DARLING: Well, he does. There is nothing to indicate that the railways would be without some constraint to give him a good rate when they stand to lose his traffic. There are winter and summer rates into and out of the great lakes area. I do not think that any of these rates are close to the maximum level necessarily, though they might be. But if the railway were to grant him traffic for six months of the year, or for a full year, it seems to me that they would be more prepared to make a dicker than they would otherwise, in order to get this traffic throughout the year. Each shipper must take his own circumstances into consideration. If he wishes to use competition when it appears, then he should not bind himself for a year.

Mr. HAHN: Why should he not be able to use the cheapest means of transportation in the summer season, and be assured that when he goes to the railway in the off season the railway is not going to hammer him unduly? Why should the railway not still be obligated to give him 150 per cent of their variable?

Mr. DARLING: Simply because he will only be shipping for a few months of the year by rail. I wonder after all if he is not still dependant on his circumstances. If you are talking about water competition, you are taking in large part of bulk traffic. He can in fact bunch his shipments so that the majority of them go out by water. Then it is up to the railway, if they wish this traffic, to give him a suitable rate in wintertime. This does happen in the United States where there is a special rate on iron ore which applies from Duluth to Buffalo, but only for the off season. The railways have every incentive to capture this traffic in winter by means of rates under which they can hold some of it in summer. I do not think the shipper is a captive. This is my view.

Mr. STEWART: I want to go back to something we touched upon several times, and I would also refer to Mr. Regan's recent line of questions. I think it is quite clear there is specifically a clash between what we might call national policy and the business interests of the railway company which might occur, and that clause 9 of this document does not solve the problem resulting from



such a clash. The disparity of these clashes depends on the question of whether or not there is competition. My question is simply this: what studies are available to the Department of Transport on the prevalence of competition, and how deeply has this been studied in relation to manageable areas of the country? Do we know what the situation is in the prairie provinces? Presumably we do know what it is in central Canadian areas, but has a study been made of the maritime provinces.

Mr. DARLING: Well, one source of information is the one per cent waybill analysis prepared yearly by the board of transport commissioners. This divides the rates in several ways. They use them in three territories: the maritimes, eastern, and western; and the movement between those territories. When it considers traffic moving at various classes of rates such as class rates, commodity rates, both non-competitive as well as competitive; the amount of traffic moving under agreed charges, and the amount moving under the statutory grain rates.

This shows a breakdown by regions of the proportions of traffic which move on the competitive rates, within regions and between other regions. For example, in the western region it shows the commodity rates moving within western Canada. As an example 1,615 were at the so-called non-competitive rates, while 1,287 were at competitive rates.

This is not to be taken in a hard and fast sense, of course. The competitive factor can be present even where the rate is not necessarily labelled as competitive. A good deal more information of that type can be gleaned from a study like this.

Mr. STEWART: I am particularly anxious because I know there are members from other parts of the country who are aware of the situation in the maritime provinces. The question I wish to ask is one of opinion. Have you as a result of having examined these waybill analyses come to the conclusion, as mentioned earlier, that there is a sufficiently increased rate of competition within the maritime provinces and between the maritime provinces and the central Canadian market to make this broad scheme of legislation one which will not be contrary to what one might call the national interest?

Mr. DARLING: Yes, I believe that is so.

The CHAIRMAN: Are there any other questions on rates?

Mr. REGAN: I think we should adjourn.

The CHAIRMAN: We are through with rates for the present time, and we shall go on this afternoon after orders of the day, at 4 o'clock.

Mr. BALDWIN: May I make one point briefly for the record. There was something which I was not able to locate earlier when Mr. Winch raised the question of non-rail assets of the Canadian Pacific Railway. I have been clawing through the royal commission report to find the passage that I hoped to find. There is a section there I would like to draw to the attention of the members in case you wish to refer to it, in this royal commission report. It explains the philosophy in reaching the conclusion which is reached. It is to be found in volume II, at pages 72 to 76.

Mr. CROUSE: Is there implementation of those rules proposed in this bill, and is it going to bring about a change in operation of the C.N.R. which will do away with its annual deficits?

Mr. DARLING: The deficits proceed from a number of accumulated factors including accumulated past deficits. There is of course a recapitalization bill for the C.N.R., and presumably it will deal with them.

Mr. COWAN: What year is that? I am only 62 now.

The CHAIRMAN: Mr. Pickersgill will be here at 4 o'clock. As you and I know, we do not know what the house will be like this afternoon, but I always

say 4 o'clock. I would like to add if we are not started by 4.30 p.m. I shall not ask the witnesses to stay. So do not be surprised if you come in at a quarter to five.

Mr. STEWART: You will proceed with the other portions of the presentation?

The CHAIRMAN: We are through with rates now. Mr. Pickersgill will answer some questions on the background of the bill. He has already made a presentation.

#### AFTERNOON SITTING

The CHAIRMAN: The minister has not arrived yet. However, he will be here shortly and I would suggest that we proceed at this time with the next problem in the bill, namely the question of grain rates.

Mr. Darling will answer any questions put by members of the committee.

Mr. DARLING: Mr. Chairman, I might say that this is found in clause 16; it starts at page 17 and extends over to page 21.

The CHAIRMAN: Yes. This refers to the Crowsnest pass rates.

Mr. FORBES: Mr. Chairman, I would like to put a question which has come up in connection with the Hudson Bay Railway. It is claimed there is a diversion charge for diverting the grain from certain lines to the Hudson Bay line. I would like to know who gets this diversion charge; is it the C.N.R. or the elevators?

Mr. DARLING: Mr. Chairman, I think this is a question that will have to be addressed to the railways, but we possibly could get some information on it.

Mr. FORBES: Are you saying that the board of transport commissioners does not know what rate the railway companies charge?

Mr. DARLING: I understand it goes to the elevators.

Mr. FORBES: Then the elevators get the diversion charge?

Mr. BALDWIN: I am informed that this is a special charge laid by the wheat board which goes to the elevators.

The CHAIRMAN: Gentlemen, the minister has arrived and perhaps we could revert to the main subject of our discussion, which was the background of the bill. Mr. Winch asked to hear this subject reopened this afternoon when the minister returned.

Mr. WINCH: Mr. Chairman, I would like to put a question for clarification. On the fundamental basis upon which Bill No. C-120 was drawn and upon which we will have a new bill next session will the minister explain whether this was drawn strictly for the railways or does it have any connection or bearing on a national transportation policy. I want to put my question that way because, in my own mind, I cannot conceive of us ever resolving our problems in Canada without a national transportation policy. Does this have some bearing and relation thereto and, if so, in what manner?

Mr. PICKERSGILL: Well, if I may look at the bill, sir, the first clause now before us reads:

It is hereby declared that the national transportation policy of Canada is the attainment of an efficient, balanced and fully adequate transport system by permitting railways and other modes of transport to compete under conditions and sharing that, except in areas where a transport monopoly exists,...

I draw particular attention to those words: "in areas where a transport monopoly exists" or a virtual monopoly on the part of railways exists, and in this regard it is our view that there should be strict regulations. I continue:



- (a) Regulation of rail transport with due regard to the national interest will not be of such a nature as to restrict the ability of railways to compete freely with other modes of transport;
- (b) each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services provided at public expense; and
- (c) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty;

And the provisions of this act are enacted in accordance with and for the attainment of so much of the national transportation policy as relates to railways under the jurisdiction of parliament.

I know that is rather a large mouthful but, as I understand it, it means that it is the view of the government that apart from areas where the railway has something approaching a monopoly—it does not need to be a total monopoly but a virtual monopoly—where we feel in the interest of the public the only way they can be protected is to have relatively strict regulations, but in other respects the railways, whether they are competing with trucks, with ships or with planes—and they compete with all of them, even with motor cars—should be as free to compete as other modes of transport, and that as far as practicable the users of the railways and the users of other modes of transport should pay for it instead of the taxpayers. That is roughly what it amounts to and that is as I understand it from my reading of the MacPherson report. That is the basic report that was made and that is what this bill seeks to do. Of course, there is one very large exception to that, apart from what is called captive traffic; the other big exception is the traffic in grain, where the Crownsnest pass rates are to be maintained. I do not know that I can add very much more to that answer.

Mr. WINCH: In the preparation of what you called this big mouthful a few moments ago may I ask if in the drafting of the broad principles of this bill you related the numerous and voluminous arguments presented to yourself and the government by the truckers association?

Mr. PICKERSGILL: Well, I am not sure because I inherited this bill, if I may say so, while certain changes were being made in it. I presented it to parliament and I do not think it is any secret that it was very largely drafted when my predecessor, Mr. McIlraith was the minister. Drafting began when Mr. Balcer was the minister, and there has been no fundamental change in the objectives from the time of the previous administration, as I understand it, to the present time. But, when arguments were presented to the government which seemed to have sufficient force we made certain adaptations in the draft we prepared with a view to presenting to parliament, as far as we could, a bill that would be satisfactory and one which would not have to be changed still further. There is no doubt that some of the views of various interests, not just the truckers, have been taken into account. But we have never assumed from that that all these interests who were concerned by this bill would not come before the parliamentary committee, make their representations, and put forward certain arguments against anything in the bill that they thought ought to be changed.

Mr. WINCH: Of course, another question must follow. Is it government policy that all these phases of railway operations should be based only on present or future economic operations without taking into consideration all the hundreds of millions of dollars of grants by way of money, land, mineral resources and so on?



Mr. PICKERSGILL: In answering Mr. Winch's question I propose to draw the attention of the members of the committee to this paragraph at page 75 of volume II of the report of the royal commission, which reads as follows:

Therefore, on principle, and on all the implications of the principle, and for reasons associated with the objectives of National Transportation Policy, we do not recommend that assets and earnings of railway companies in businesses and investments other than railways be taken into account in setting freight rates.

Mr. WINCH: I have read the report and I understand it. Therefore, this is strictly a matter of government policy. I do not have any information in respect of the Canadian National Railways because this information is not published but, to put it briefly, I do find that there is information relative to the Canadian Pacific Railway, as found in catalogue No. 52-202. At the end of December, 1963, cash subsidies and expenditures on construction amounted to \$106,280,334 and, in respect of land grants, \$43,962,546. Now, so far as the Province of British Columbia is concerned, I have considerable knowledge of the value of those grants, how they are utilized and in what way the revenue is going to the C.P.R. I will use the example of the E and N, which originally was not built by the C.P.R. but by the Dunsmuir interests. It was taken over by the C.P.R. with all the rights and privileges. As recently as last year, on the grant alone of one section of forestry, they realized some \$55 million. Is it not government policy to take the operating revenues into consideration?

Mr. PICKERSGILL: Well, if I may go back to the bill, it does refer to the real cost of the resource facilities and services that are invested. Whatever may have been the situation in the past I think it has been the view of this commission, and I think we have taken the view, that if the railways are to be maintained on anything like an economic basis, the resources that are applied to carrying out the railway services are those that have to be taken account of at the present time.

Mr. WINCH: Is the minister aware that almost every year the C.P.R. is forming new companies, incorporating companies and so to handle the grants and to utilize the mineral and timber rights which they received as gifts from the people of Canada? I hope you know they are doing this. Only last fall two new companies were formed in British Columbia. Are you saying that you are not going to take into consideration the money which the C.P.R. is receiving through these incorporated companies, through free grants made by the people of Canada, by which they are realizing hundreds of millions of dollars.

Mr. PICKERSGILL: Would the corollary of your argument be that they should not charge anything at all for carrying freight?

Mr. WINCH: I beg your pardon?

Mr. PICKERSGILL: Would the corollary of your argument be that the C.P.R. is deriving so much revenue from these other assets that it ought to carry all the traffic free?

Mr. WINCH: Of course not; I am not that stupid. But, in my opinion it should be taken into consideration.

Mr. PICKERSGILL: To what extent do you think it should be taken into consideration?

Mr. WINCH: As revenue from the operations of the C.P.R.

Mr. PICKERSGILL: In other words, if they make enough revenue out of their other assets you are saying that they should not make anything out of the railroad.

Mr. COWAN: Mr. Winch is talking about grants made to the railway.

Mr. PICKERSGILL: I do not think he talked just about that.

Mr. COWAN: It was quite clear to me.

Mr. PICKERSGILL: Perhaps my perception is rather slower than yours, but I will catch up with you.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): Mr. Chairman, I have a supplementary question. Is it a fact that the mountain rates were set for a certain cash consideration plus some of these grants which Mr. Winch mentioned with regard to the Crowsnest pass rates?

Mr. PICKERSGILL: It would be possible, I think, to frame legislation which would take account of every advantage given to the C.P.R., and to say that everything they ever had made or were now making on any of these other assets should be recorded and pooled with the revenue they make from the railway and that they should not be allowed more than a certain return on the whole; that their rates should be set low enough to ensure that the return would not go above that figure; but I ask you to consider what the truckers would say about that kind of competition, if rates were set on that basis. That is why I put the question to Mr. Winch, which he said was foolish. Granted, it was a foolish question but it was carrying this point to the extreme; if you are going to take all sorts of extraneous factors into account and insist that the C.P.R. sets rates taking account of all these other revenues, then every other carrier who has not these other revenues to supplement their own could be undercut, and I think it would be very difficult to have any national transportation policy on that basis.

Mr. KINDT: Mr. Chairman, let us revert to Mr. Winch's question. Apparently it has more in it than the minister is implying when he speaks of extraneous revenues. I know of plenty of oil leases in the west on which the C.P.R. still reserves rights and are receiving royalties.

Mr. PICKERSGILL: Yes.

Mr. KINDT: By the same token, therefore, there are other assets which are producing revenues, such as the one Mr. Winch mentioned. Now, you can go right down the line and you will note that all these have risen from the business of the corporation. Why should they not be taken into consideration when you are taking into account costs, revenues and so on.

Mr. PICKERSGILL: Dr. Kindt, I believe you have a lot of agricultural experience. I do not know whether or not you yourself homesteaded but there are old men, such as myself, who actually remember homesteading, when for a ten dollar fee you could get a quarter of a section of land, as my father did in 1911. I remember that very well. We were not very lucky on our particular homestead, but I believe there are a lot of those homesteads where the farmers got mineral rights; where oil was struck and they have done pretty well out of them. There were other cases where the mineral rights were reserved and they did not. But, would you say a farmer who owned the mineral rights, after striking oil, would not be entitled to get anything for his wheat?

Mr. FORBES: But this question of Mr. Winch applies to grants. This is what has been referred to.

Mr. WINCH: I presume that this act will not be changed too much during the next session, but could you tell me on what basis taxpayers should subsidize railway operations when they are making millions of dollars out of free grants by the people of Canada.

Mr. PICKERSGILL: I do not think they should subsidize it at all, and the purpose of this bill is to get away from subsidies.

Mr. WINCH: You have subsidized here.

Mr. PICKERSGILL: Only for specific costed items. There is no general subsidy of any character in this bill; the whole purpose is to find out what



these services really are costing, and if they are worth continuing in a social interest but are not economic, then we are prepared to pay something for them, but if they are not worth enough socially and they are not paying the idea is to do away with them. So, this is to put the whole thing on a paying basis and not make it a drain on the treasury.

Mr. WINCH: I have one more question. As I pointed out, under 52-202 this committee can get information on the Canadian Pacific Railway.

This committee seeks information from the railway companies of aids whether by land or by money. But if we check, as I have checked, catalogue No. 52-201 of the Canadian National Railways, there is no way by which we can obtain that information, similarly in the case of the Canadian National Railways. Most of them go back to the Grand Trunk, as well as to the Canadian Northern Railway. Is it possible to obtain that information concerning land and grants and so on?

Mr. PICKERSGILL: I think it would be possible. It might be rather difficult because many of those companies have been extinguished in one way or another.

Mr. WINCH: I can assure you that when I read about the Canadian Pacific Railway a lot has been taken over, and yet company by company the information is there.

Mr. PICKERSGILL: I will have the matter looked into, and I shall be glad to see what can be done. Offhand I do not know what state those records would be in; it would involve quite an historical research project for somebody.

It is a fact that the Canadian National Railways are not making much revenue out of these things now. I do not know that it would have much bearing on the Canadian Pacific Railway.

Mr. WINCH: Now that the minister is here may I repeat my last question, that is the question of the transport commissioners not having prime authority over certain actions, but that the commission of three, under the Minister of Agriculture will have final authority. Can you give us any information why the prime authority should not rest with the board of transport commissioners.

Mr. PICKERSGILL: Well, I think it was felt—as I understand the views of those who originally drafted this legislation, and certainly speaking for myself, I can say—that there was a very considerable feeling that since most of the rail line abandonment that was in contemplation was on the prairies and was directly related to the carriage of grain, it was felt that the problems that were to be dealt with there were not the kind of problems that the board of transport commissioners normally concern themselves with, but a very different kind of problem, such as the question of whether if this branch line might be losing money, it was still in the public interest to keep it going. We thought there ought to be a special board set up to evaluate those considerations, one which understands perhaps better than the kind of people who are normally appointed to serve on the board of transport commissioners.

Mr. WINCH: Has this not always been the responsibility of the board of transport commissioners?

Mr. PICKERSGILL: Yes, it always has, and there has always been a good deal of complaint about it, particularly from the grain growers of the west. It was felt that if we attempted to rationalize the railway structure in western Canada in order to keep down the cost of the cartage of grain within reasonable proportions and yet make sure that we did not deprive the western farmer of the essential facilities to carry his grain, we needed some people who have special competence to look at these problems. It is not so much to look at the problem of the railways, which is what the board of transport commissioners is primarily concerned with, but rather to look at the problems of the



users of those lines, and their importance in the whole Canadian economy, and particularly in the economy of the prairies.

The CHAIRMAN: Now, Mr. Lloyd.

Mr. LLOYD: Mr. Chairman, I have a question supplementary to Mr. Winch's observation with respect to subsidies. I refer to the historical grants of land to the railways to induce them to undertake construction of these systems of rail lines. I am only familiar with what our economic history tells us about it. I do not know the technical relationship or responsibilities between the government and the Canadian Pacific Railway or the Canadian National Railways. It would seem to me that in so far as rate making is concerned what you say is profoundly correct, that you have to keep a rate structure which maintains the competitive position of the alternative transportation systems which are available to the users. The only other thought I have in mind is this: you will still be involved in or exposed to subsidy operations; and there will still be those cases where the government by way of policy may want to maintain certain services and are willing, it may be, to undertake to pay some further subsidy for that purpose.

I think before this bill is passed once and for all we should examine the past conditions of land grants, and whether there is any expressed or implied obligation on the part of the railway companies to carry through certain responsibilities. I think this should be cleared up. Maybe it has been done already. I do not know, but it certainly should be cleared up.

Is there any express or implied obligation on the railways at least the negotiations with respect to these subsidies that you might get exposed to might be worth looking at, even though it does not affect the railroads.

Mr. PICKERSGILL: I think that is a matter which is bound to be debated very hotly, and on which there will be conflicting views. I shall endeavour between this time and the time this bill goes before the House of Commons at the next parliament to look into it for you. I do not know that we can do very much about implied conditions, because it would depend on the nature of the implications. But as far as explicit conditions attached to any of these grants, not necessarily the land grants, or any advantages given to the Canadian Pacific Railway or indeed to any of the ancestors, if I may put it that way, of the Canadian National Railways are concerned they might be looked at.

Mr. LLOYD: I am only suggesting it, Mr. Pickersgill, really as a procedural step to be taken in anticipation of a debate so that the debate will at least be on questions of fact and not on suppositions.

Mr. PICKERSGILL: I much prefer to find out the facts rather than to argue about what they are.

The CHAIRMAN: Now, Mr. Muir.

Mr. MUIR (*Lisgar*): I would like to inquire a little further into the subject of rail line abandonment. As you know, the amount of abandonment requested on the prairies by the two railway companies has been variously estimated at from 3,000 miles up. Now obviously, anything of that magnitude is going to cause dislocation particularly in regard to our export grain situation. But as I understand it, the railways feel it is in the national interest, and the government is prepared to pay a certain subsidy in order to keep those lines open. Is there any feeling that you have in mind as to the total amount of subsidy that you are willing to pay to the railways?

Mr. PICKERSGILL: The figure in the bill is \$13 million per annum.

Mr. MUIR (*Lisgar*): Is this going to be paid on top of the subsidies we are already paying them?

Mr. PICKERSGILL: No. The so-called subsidies that are now paid, the \$20 million rollback, I think it is usually called, and the \$50 million which came

about at a somewhat later date, that \$70 million roughly is contemplated to disappear when this bill comes into operation, and the only subsidies which will then be paid are those which are included in the bill.

Mr. MUIR (*Lisgar*): I suppose it is a little too early particularly because we have not set up the authority to deal with this situation; but do you have any guess of the number of railway lines or miles which can be kept open with that \$13 million a year?

Mr. PICKERSGILL: No. I just think it would really not be very helpful for me to guess, because I think one can say with certainty that no government is going to allow a line to be abandoned that is carrying a large quantity of grain, whether or not the losing position of that particular branch may be good or otherwise. On the other hand, I think you know there is a classical case in Manitoba where there were two lines on the south side of the Assiniboine running between Portage la Prairie and Winnipeg, which ran at times only about 100 yards apart; and that the Manitoba government made a request that we should not even defer abandonment of one of those lines, but they later withdrew it. I do not know why. But they certainly wanted to build a highway along there. There really is not much excuse to have both of them there. They are both Canadian National lines side by side, and it would not cause any hardship to any farmer to have one of them taken out.

Mr. MUIR (*Lisgar*): I have another question which comes to my mind. Before any abandonment is allowed, there are certain things which have to be done.

Mr. PICKERSGILL: That is right.

Mr. MUIR (*Lisgar*): One of them is that once a railway abandons a line it immediately places the costs of transportation or the means of transportation, that is the road system, on the provincial government or on the municipalities. I would hope that no line would be abandoned before those facilities were at least up to the standard that they could to some degree at least replace the railway line in the job that they have to do.

Mr. PICKERSGILL: That is precisely one of the factors that the rationalization authority would have to take into account.

Mr. FORBES: May I ask a supplementary question? In order to arrive at how far this \$13 million subsidy would go, is the subsidy to be paid on a per bushel basis or on a per mile basis?

Mr. PICKERSGILL: Neither one of them. It is to cover the loss on the line, whatever it may be. If the railway makes a case that it wants to abandon a line because it is losing money on that line, the authority will say you have to keep it open because it is in the public interest; and then they will look at the account at the end of the year and pay the loss.

Mr. FORBES: You mean the total loss on that particular line?

Mr. PICKERSGILL: Yes, on that particular line.

Mr. PASCOE: My question has been asked. But I have a map here showing what are mostly Canadian National Railway applications for abandonment.

Mr. PICKERSGILL: You know how they arose?

Mr. PASCOE: Yes. Now that this bill is going to be withdrawn, and it may not come back next year, what is the situation with respect to these applications for abandonment?

Mr. PICKERSGILL: They are all completely frozen and they will stay that way. The railways are not proceeding with any of these applications. I do not think they are proceeding with any on the prairies, although we nearly did proceed with one of which I spoke to Mr. Muir. In some other parts of the country there may be a few cases where they are being proceeded with



because nobody thinks the line ought to be there. But as far as any very long lines are concerned, they are all frozen.

The CHAIRMAN: Now, Mr. Stewart.

Mr. STEWART: I have two questions. At page 162 of volume II of the report of the royal commission a suggestion is made for the establishment of a transportation advisory council. Evidently it was thought that the legislation which is now being considered would be incomplete, that is, it would not completely cover the transportation field inasmuch as some advisory council should be established. The railways understand that the present legislation will be supplemented sooner or later, but preferably sooner by implementation of this recommendation.

Mr. PICKERSGILL: I think I would hesitate to try to answer that question because we came to the conclusion that we could not do this at the same time as this bill. As my colleague, the Minister of Labour, said in the house the other day, I do not like to set myself a deadline. There is no firm decision made by the government to do this yet.

Mr. STEWART: But it has been considered?

Mr. PICKERSGILL: It is under consideration. There are quite a number of aspects of the MacPherson report which are not comprehended in this bill. I do not think any of them have been categorically rejected that I can recall.

Mr. STEWART: My point in asking the question is obviously that we have in a sense a complete approach to certain transportation questions in the report, yet here is one recommendation which at the moment you seem to have set aside as far as this legislation is concerned.

Mr. PICKERSGILL: That is right.

Mr. STEWART: My second question moves from the Pacific to the Atlantic. I want to refer to page 203 in volume II of the MacPherson report where it refers to the Maritime Freight Rates Act of 1927 and says:

The objectives which were put forward in 1927 for the policy of transportation rate reduction in the selected maritime territory are now incompletely being achieved because of the growth of competition.

And then in volume I at page 19 we are told the following:

—it would appear that an attempt is being made to preserve the traditional railway rate structure, based on differential pricing and cross subsidization, by means of the profits obtained by increasing the level of rates in the residual monopoly areas of the transportation system—

My question is this: is it the firm belief of the government that the area specifically affected by the Maritime Freight Rates Act will be in a better position relatively after the enactment of this legislation than it is now in?

Mr. PICKERSGILL: I think I would like to consider that question before I gave an answer. As you know, Mr. Stewart, what we have done in my department, or what we are planning to do in a more extensive way with agencies other than my department is to make a study of the whole problem of transportation in the four Atlantic provinces with a view to making sure that the amounts of money that are now being paid for transportation—not just for the Maritime Freight Rates Act, although that is a very big part of it, but also the other several sums being paid out of the treasury—are being used in the best possible way to provide the best possible amount of transportation. That is one of the reasons that this problem is not dealt with in any new fashion in the existing legislation. What we are trying to do at the present time is to preserve every existing advantage, while the study is being completed.



Mr. WINCH: I have a supplementary question. Does that mean that basically you have in mind the equalization of freight rates across Canada?

Mr. PICKERSGILL: I think that would strike terror in the heart of anyone who resides in a constituency in any of those four provinces because the whole basis of the charter on reconfederation of 1927—it was called the Duncan commission—was that these provinces had a geographical disadvantage as compared with the rest of Canada, and that they should be compensated for that disadvantage.

Mr. WINCH: Does that include British Columbia as well as the maritimes?

Mr. PICKERSGILL: The Duncan commission dealt with the maritime provinces. British Columbia is compensated in so many ways as we all know, such as its higher standard of living, its higher wages, and we are always told that everybody wants to go to live in British Columbia.

Mr. STEWART: I would like to ask the minister, in view of the fact that we have only a part of what is eventually a developing plan for transportation here before us, if he would not appreciate in essence that some of us who come from the Atlantic area have not this particular part of the legislative plan. I would like to hear the minister's comment on that.

Mr. PICKERSGILL: Well, I would think that as long as we are making absolutely sure that there is no injury done to and no advantage taken away from the maritime provinces they would have just as much advantage as any other part of Canada in seeing the burden of the \$70 million annual subsidy which we are now paying to the railways removed from the treasury, because those resources could then be used in a more constructive way to deal with special problems of transportation in parts of the country where they need to have special consideration.

Mr. STEWART: A moment ago I asked a question and the minister said that he wanted to think it over. I assume this means we will have an answer in the same way as there will be an answer to the questions that we asked this morning?

The CHAIRMAN: I assume so.

Mr. PICKERSGILL: I hope you will not try to read my mind too far ahead.

The CHAIRMAN: Now, gentlemen, we were examining the submission made by Mr. Darling and Mr. Cope and, as I said, at this afternoon's meeting we would finish the section on rates and then go on to the section on the Crowsnest pass.

Mr. WINCH: On rates do you include passenger rates?

The CHAIRMAN: No.

Mr. BALDWIN: That is a separate question under subsidies.

Mr. WINCH: Is the minister going to be able to be with us at our other meetings; if not, I think perhaps I should ask questions while the minister is here.

The CHAIRMAN: We could devote the next half hour to this.

Mr. PICKERSGILL: If you would agree that I might leave at 25 past five because at 5.30 I have a meeting with the shipbuilders and I would like to have five minutes to compose my mind and change gears.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would like to have the minister assure us that there will be no changes in the Crowsnest pass rates so far as grain problems are concerned.

Mr. PICKERSGILL: I already have said that once and I would be delighted to repeat it. I was brought up in the prairies myself and the Crowsnest pass rates are a part of the constitution.

Mr. WINCH: Mr. Chairman, I am asking this question now because the minister is here. Perhaps he can give information not otherwise available. I would like to ask the minister whether he can comment on the entire question of the railroads' passenger service. I ask that, Mr. Chairman, because admittedly I am most concerned. Recently I have read a great deal in the newspapers about the C.P.R. and the C.N.R. being interested in the maintenance and building up of passenger service. However, I do not believe it and I challenge that statement. I would like to know whether the minister can give us any information on this. When I say I challenge this, I will illustrate it, because in the past ten months I have had a suspicion that one way or another, irrespective of expenditures and statements by the officials of both railroads, they deliberately are trying to kill the passenger service.

May I very briefly say that I definitely arranged for people to telephone from Vancouver asking for either a duplex or a stateroom and time after time the answer was that these were not available. Then I telephoned personally and got the same answer. Then I telephoned saying this is Harold Winch, M.P., calling, and I got it. Then I had a check made on the sleeping cars on the days on which the people I had asked to telephone could not get reservations and I found that the sleeping cars were half to two-thirds empty. I deliberately have been following this policy now for ten months. I question just what is the position of both railroads and I question whether they really want passenger service, or whether they are trying to drive people to Air Canada or C.P.A. This is my experience. What is your knowledge of this matter? Are you convinced that both railroads are interested in building up passenger service?

Mr. OLSON: Surely we were told only a few moments ago that there is something on passenger service in another part of the bill, but that before we go into that part of the bill we should complete the discussion on tariffs.

Mr. PICKERSGILL: I think, Mr. Olson, there was an understanding that since I am here now and might not be able to be at the next meeting that there would be an opportunity to ask me any questions relevant to the bill.

Quite frankly, Mr. Winch, I do not know the answer to that question. I do not attempt to run either railway. It is beyond the functions of the Minister of Transport to do so. Once in a while somebody calls my office and says I cannot get a berth on the train or something of that sort, and, Mr. Chairman, often they say they cannot get on Air Canada and would I do something for them. We always try to help in every way we can. However, I cannot believe that the railways are deliberately trying to haul their cars around empty; it could be. We are going to have the railways here as witnesses and I would think that is the time to find out. You can cite your case and give them the hardest time possible.

I just do not know the answer. I do not think it really is part of the function of the Minister of Transport to find out. The government, as such, is not in the passenger business. It is the railways that are in the passenger business.

Mr. WINCH: You say it is not the responsibility of the minister and, on technical terms, I completely agree; but the carrying of coaches is a part of the cost of operation of a railway.

Mr. PICKERSGILL: Yes.

Mr. WINCH: If there is a policy whereby they are carrying at less than half capacity and yet say there is no space available, then surely that comes in as part of a consideration of whether or not they are running economically.

Mr. PICKERSGILL: One thing about this bill is that if it becomes an act of parliament we will find that out, because it will be our business. Under this



legislation we are proposing to pay a subsidy to the railways, on a declining basis, to the passenger service. If the passenger service is being operated at a loss, it would be charged to the shippers of freight, as some shippers think it is now. We did not think that people shipping wheat, steel, mattresses or furniture should have to pay for somebody else's passenger transport. We are proposing, on a scale which will diminish from year to year, and ultimately end, to provide a subsidy for passenger service. Once we do that we are going to look at the accounts of every one of these things, because then we will have a responsibility which we do not have now. If some of these lines are being run and are trying to discourage passengers in order to gain a higher subsidy, the railways themselves will lose on this scale, because it diminishes from year to year.

Mr. PASCOE: Would the minister put these subsidies on the record?

Mr. PICKERSGILL: They are in the bill.

Mr. GRANGER: I listened with interest to the minister make his heartening acclamation respecting the constitutionality of the Crowsnest pass rates and I wonder whether he can give us a similar assurance that the freight rate structure between the Atlantic ports of Montreal and the far eastern province shall remain inviolate despite the new legislation?

Mr. PICKERSGILL: You mean the rail rates?

Mr. GRANGER: Yes.

Mr. PICKERSGILL: Well, I would have to take that question under very serious consideration. I think probably if there might be some chance of them diminishing, you would not want them to be inviolate. I can assert that the government intends to preserve all the advantages accruing to the Atlantic provinces, and the eastern part of Quebec, since it comes under the Maritime Freight Rates Act, but this does not mean that some day we may not introduce legislation which will increase those advantages. However, there is a determination that in no circumstances will they be diminished.

Mr. GRANGER: The advantages will not be diminished. I might say that I do not consider that diminishing of the rates is in any way a violation.

I would like to make one observation. When I heard Montreal described as an Atlantic port, I felt very close to home.

Mr. REGAN: Mr. Chairman, I might ask the minister whether he realizes that many transportation authorities in the Atlantic region are not in agreement with the officials that the protection granted by the Maritime Freight Rates Act will continue unabated or undiminished after this act comes into being, because even if the maritime freight rates assistance act stays in force to protect the level there, if this act has the effect of depressing real competition elsewhere in the country, then the beneficial rates to be drawn from the Maritime Freight Rates Act, we contend, will diminish.

Mr. PICKERSGILL: I am sure that you will move heaven and earth to see that no such disadvantage accrues to the maritime provinces.

Mr. REGAN: These remarks show insight into character on your part, Mr. Pickersgill.

The CHAIRMAN: Are there any other questions of the minister? Thank you very much, Mr. Pickersgill.

If there are no other questions, we will carry on with the submission by Mr. Darling and Mr. Cope. We are on the grain rates—the Crowsnest pass rates—which will be found in clause 16 on pages 17 to 22. Are there any questions?

What is the next subject?

Mr. DARLING: Passenger deficit.

The CHAIRMAN: This is found at pages 12 to 14. Are there any questions?



Mr. FOY: They all have been answered.

The CHAIRMAN: What is the next group?

Mr. DARLING: It will be the branch line rationalization.

Mr. OLSON: On the matter of the passenger deficit, has the minister or the board of transport commissioners looked into the manner in which the Canadian Pacific Railway, in particular, and perhaps both railways, go through the mechanics of making reservations for space? In respect of Mr. Winch's comments, I might say that from the experience I have had and from the experience of people in my constituency, there is very definitely a degree of truth in this. They have been turned down for weeks, and in some cases for months, in their attempts to get reservations on the C.P.R. passenger trains, particularly the Dominion. I asked this question on the floor of the house and the acting minister of transport, Mr. McIlraith, undertook to refer the question to the Canadian Pacific Railway and obtain some kind of an answer to this question. The report came back through the board of transport commissioners that on every one of the days over that period we had complained about there was in fact empty space on the trains that I had complained about. If there is some kind of an antiquated way of answering these reservations so that they do not have any control at all over what the air lines refer to as "No show" after a reservation has been made, I think first of all I would like to know if there has been any study of this problem and if not, whether there is some way in which we could have a report from the railways or a request of the railways to have this information for the committee when they appear before us.

There is absolutely no doubt in the minds of the people in my riding; they believe the railways deliberately are trying to discourage the use of passenger trains with a view to making an application for their discontinuance some place down the line.

Mr. WINCH: Then your experience is the same as mine?

Mr. OLSON: Exactly.

Mr. KINDT: May I confirm, from my own experience, that the railways are doing everything possible to discourage passenger traffic. If anyone is in doubt about that, all he has to do is travel on a train and speak to the conductor or the trainman. I do not want to blame them for divulging information, but they have their views and they are willing to express them. I have had this view expressed to me on a number of occasions; that is, that there is a deliberate attempt on the part of the C.P.R. to curtail passenger service.

On the question of getting berths, on occasion I have telephoned and waited for a day and a half for the people in Calgary to give me word whether or not I could obtain a berth from Calgary to Ottawa. The delay in time in giving that information, when it is just a matter of telephoning Vancouver, is unpardonable.

Mr. WINCH: How many vacancies did you find when you boarded the train?

Mr. KINDT: The train was half empty.

Mrs. RIDEOUT: I would like to make an observation regarding this passenger subsidy. This rather disturbs me, because it seems to me that whenever anything new is attempted it always is started in the maritime area, which is true of the red, white and blue fares. I think it is rather a shame that it is not generally known that in the maritime area there is not a deficit in the passenger service; they do not go behind financially; but when you have the over-all picture, we are included with the whole group. Is it true that in the maritime area they do not have to be subsidized for passenger service?

Mr. COPE: I would think the railways would have to answer this, but if it happened that the railway loses no money on passenger service, to that extent there would be no subsidy paid.

Mr. COWAN: Are there so many people leaving the maritimes that there are no deficits on the passenger service?

Mrs. RIDEOUT: They are all coming to the maritimes.

The CHAIRMAN: There are representatives of the railways here and I suppose these remarks are noted and I expect they will come prepared to answer this particular type of question when we resume the sittings of the committee. However, I hardly think the minister could answer this specifically.

Mr. OLSON: I would like to know whether the minister or his officials can answer now whether they have asked the railways for a report in respect of the system they use in taking reservations when people are being turned down and there is space there every day.

Mr. PICKERSGILL: Well, I can say quite categorically that in the thirteen months I have been Minister of Transport I never have. I do not know whether or not any of the officials have. But, perhaps it would be interesting if Mr. Cope or Mr. Darling could tell us precisely what jurisdiction the board of transport commissioners has over passenger traffic. I do not think my department has any jurisdiction as such. Perhaps we ought to have someone from the board of transport commissioners come to the committee and explain the economics of their control over it because, quite frankly, I could not answer it.

Mr. DARLING: Mr. Chairman, I might say that one of the purposes of the board of transport commissioners is to hear complaints on this matter of service provided by the railways. I do not know whether or not they ever have been approached on this particular problem.

Mr. BALDWIN: But they do not have jurisdiction over the internal management of reservations.

Mr. DARLING: No, only in the adequacy of the facilities provided.

Mr. WINCH: You say the adequacy of the facilities provided.

Mr. DARLING: Of the service generally.

Mr. WINCH: Then it does not apply to being able to get on board so as to take advantage of that.

Mr. PICKERSGILL: There seems to be a good deal of interest and several members of the committee have put questions. I must confess I am quite interested and I would be glad to be instructed about it. Could we ask to have the chairman of the board of transport commissioners come and tell us precisely what the situation is. After all, he administers the act. I think it would be helpful to know what jurisdiction he has in the matter. He may be able to throw some light on this question of passenger subsidies, which we are going to have to consider in respect of the new bill.

The CHAIRMAN: Is that the wish of the committee?

Mr. WINCH: Mr. Chairman, that is my very point. I am glad the matter has been raised and I hope this can be done. If we are going to consider passenger subsidy it is not only adequacy of facility we should be considering but other things as well. They try to stop you boarding but when you do get on you find that one half or two thirds of the train is empty. I would like to know why we have to wait a week before we are told whether or not there is a reservation available. When we finally obtain a reservation we find there are more vacancies than there are occupancies.

Mr. PICKERSGILL: That question ought to be addressed to the C.P.R. It would be interesting to know what jurisdiction the board of transport commissioners now has. I do not think the present witness would wish to define that. I think it would be better to obtain that information from the chairman of the board of transport commissioners, who administers the act.

Mr. OLSON: Mr. Chairman, I could not answer whether or not the board of transport commissioners ever received a complaint but this matter has been raised in the House of Commons on a number of occasions. I am referring to people waiting four or five weeks for a confirmation of reservations and, to me, this would indicate an inadequacy of service. On that basis surely the board of transport commissioners would have an indication that something needed to be investigated.

The CHAIRMAN: Have you a question, Mr. Hahn?

Mr. HAHN: I have a simple question, Mr. Chairman, in connection with the abandonment of passenger services.

Section 314 (i), sub-section 5 is the section that states where an adequate highway system exists the board may approve the discontinuance of a passenger train service and so on. Does this mean that the philosophy behind the bill is that if proper bus or private car transportation is available the public good is adequately served and passenger trains then could be taken off?

Mr. PICKERSGILL: Well, you know the classic story about a railroad that was supposed to have been located in the Ottawa valley. There was an inquiry before the board. I do not know where it happened but, the hearing was held and then the chairman suddenly said: "I must adjourn the meeting so you will not miss your train." All the complainants said he need not worry about that because they all came by car. There were no passengers on the train that day.

Mr. WINCH: Mr. Hahn raised an interesting point, which I intend to bring up later. As I read this there is certain authority in respect of the abandonment of the passenger lines. We have read quite a bit during the last six months on suggestions with regard to dayliner services and the speed-ups in between. That is just fine if you are going between Edmonton and Calgary and Vancouver and Kamloops, but if you are going from Vancouver to Ottawa it is a different matter altogether. Now, surely there are going to be some promises that in respect of the transcontinental traffic there will not be any abandonment; there must be provision for long distance travel, whether it is Vancouver to Ottawa or Vancouver to Regina. You just cannot have a dayliner service and a lunch-counter meal. Is there not going to be protection in this regard?

Mr. COPE: There are two criteria that have to be met before passenger train service can be discontinued. The first is that there is an adequate highway system connecting the principal areas on the line and, second, the service has to operate at a loss. Now, if a main line service were to qualify it would have to be operating at a loss also.

Mr. WINCH: The trans-Canada highway system is a mighty fine system between Ottawa and Vancouver but I would not want to travel that route by bus, say, from Vancouver to Ottawa.

Mr. COPE: I take it your feeling is that the main line service of the railways is losing money? It has to be losing money before it can be put up for abandonment.

Mr. WINCH: My understanding was that part of this act would take care of some of these problems with which we are faced.

Mr. FOY: Some of them would not need to lose money if they co-operated in making reservations.

Mr. KINDT: Mr. Chairman, before the minister leaves, may I suggest to him that he spell out the procedure of computing costs, the analysis of these costs and what goes into it, upon which decisions are based. Before the legislation under which this board will operate can be properly evaluated I think we should know more about how those costs are going to be computed be-



cause on that will rest the decisions which are to be made. Are we giving every consideration to sorting out the procedures to be followed?

Are we giving every consideration to sorting out the procedures to be followed?

Mr. PICKERSGILL: There is going to be no new board set up as far as passenger service is concerned. The board of transport commissioners will deal with it, while the new board will deal with abandonment and rationalization of rail lines, but not with passenger services. However, I think your point is well taken and I am sure that one of the witnesses will be able to explain the principles upon which these costs are determined.

Mr. WINCH: It is most important when you consider the Kettle Valley line in British Columbia which has a rail passenger service from Vancouver all the way through to Nelson and on to Alberta. They would abandon that passenger service.

Mr. PICKERSGILL: I wonder, in view of those people who have come from all over Canada, if we and Mr. Darling might be excused?

The CHAIRMAN: I think a moment ago Mr. Cope had not finished his answer to a question about transcontinental passenger service.

Mr. COPE: Getting back to this question of main line passenger service, before a request is filed for abandonment of any main line service they would have to be convinced by furnishing proof to the board of transport commissioners that they were losing money on that particular service. I think the intent of the rationalization spelt out in this bill is to eliminate unprofitable section of their passenger service, although there would be sections which are earning a profit which they would keep on for a good period of time.

Mr. WINCH: That is my third point, Mr. Chairman. If we know that on a transcontinental service we are losing money, then under what is proposed they need to cease that transcontinental service.

Mr. COPE: If that criterion were made, the board of transport commissioners could grant a permit to the railways to abandon the service.

Mr. WINCH: They would have to get the permission of the board of transport commissioners to abandon it?

Mr. COPE: Yes, and they would have to prove first that the principal points of the line were connected by an adequate highway system, and second, that the service in question was losing money.

Mr. WINCH: I sincerely hope that it is done very soon because nearly every major point in Canada is connected by a good highway service and I would hate to have to use the highway service between Vancouver and Ottawa instead of travelling by train.

Mr. STEWART: My question is this: Is there any provision proposed in the legislation to prevent the railways from deliberately losing money on those lines? How is this policed?

Mr. COPE: The board of transport commissioners have certain powers under section 315 of the Railway Act. Mr. Pickersgill has mentioned having the chairman of the board of transport commissioners speak to us on the extent that they control the different classes of passenger train operation, and I think at that time this kind of question would be better dealt with.

Mr. STEWART: You said there may be conditions in the present legislation.

Mr. BALDWIN: I think so. They will first of all not require a railway to maintain a losing service if they can prove that it is losing money. There is no legal obligation on them to continue a losing service, because it is a disappearing subsidy, and at the end of five years there is no more subsidy. But if there is some reason to believe that they are making it lose money through deliberate inefficiency on their part, then you can turn to an investigation by the board,

and I am pretty sure there are adequate provisions there to take care of the situation. But I think it would be wiser for the chairman of the board himself to speak to it.

Mr. STEWART: I would like to put this question on record now: Upon whom does the onus rest to prove whether or not the railway was making adequate use of its facilities for passenger services? Does it rest on the railway or upon the party complaining?

Mr. BALDWIN: The decision would rest in the hands of the board making the investigation. But the procedure generally is that you proceed on the basis of a complaint that is registered with you, and the jurisdiction rests in the board which has to determine the facts.

Mr. SOUTHAM: Mr. Chairman, following up this question proposed by Mr. Kindt, and referring to line abandonment and particularly to the criterion of losing money, we have to take our minds back to the royal commission when this whole question was under study and when quite a dispute arose. One railway had one formula, and when the royal commission went across the country it came upon another formula; then I think it got up to three; and if I remember correctly there was a very wide discrepancy as to what was an uneconomic line. I think in this legislation we are getting down to the crux of it: first, to come up with some satisfactory agreement, and then decide upon a formula that we are going to agree to before the board of transport commissioners. What I had envisaged was that the rationalization board would have some teeth so that they could be satisfied that the past principles were accurate before they would allow a line to be abandoned.

Mr. BALDWIN: I think the answer to that is in the statute. The responsibility for determining the cost, in the final analysis, would be vested in the board of transport commissioners.

Mr. PASCOE: Under Bill No. C-120, which is not going to be passed, I think there now are these subsidies to put the passenger service on a paying basis, and so on. Is there any chance of No. 7 and No. 8, the Dominion, coming off very shortly on the Canadian Pacific? Could they come off before this bill is passed?

Mr. COPE: First of all, the board of transport commissioners in the first instance gives consideration to this.

Mr. PASCOE: It would have to be proven that they are losing money?

Mr. BALDWIN: No. Any case arising out of abandonment of service, before the passage of this legislation, would have to be dealt with under the existing legislation which also does require authorization by the board of transport commissioners.

Mr. PASCOE: Would you know whether any application has been made?

Mr. BALDWIN: Not that I am aware of.

Mr. OLSON: Is it a fact that the C.P.R. does have authority to reduce service without application?

Mr. BALDWIN: Yes.

Mr. OLSON: It is only for abandonment that they have to apply?

Mr. BALDWIN: Yes. There is a difference between a reduction in service and an abandonment.

Mr. MACEWAN: Mr. Baldwin just said that the test is laid down by the board of transport commissioners and it has not been changed in this legislation.

Mr. BALDWIN: In respect of abandonment, in the sense that the two criteria Mr. Cope indicated are placed in the bill, the theory has been adopted that a railway should not be required to lose money. Under these criteria we will pay a temporary declining subsidy until this situation is straightened out.

Mr. MACEWAN: What the board actually has decided has been put into writing?

Mr. BALDWIN: In a sense.

Mr. MACEWAN: And the public interest is the important thing.

The CHAIRMAN: It is now 25 minutes to six. Do you wish to keep this meeting going or would you like to adjourn until Thursday at 9.30 a.m.? We will have these gentlemen back. May we assume that the chairman of the board of transport commissioners will be here?

Mr. COPE: We will do our best to make sure, sir.

The CHAIRMAN: The minister had a wire from Mr. Whittaker of the Coal Operator's Association of Calgary who wishes to present a brief on Thursday. Will it be the wish of the committee to hear him on Thursday?

Mr. STEWART: Is he going to read the brief or will we have it in advance?

The CHAIRMAN: I understand he may be here tonight or tomorrow. If he has a brief when he arrives we will distribute it before Thursday.

We will adjourn until Thursday at 9.30 a.m.





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

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THURSDAY, MARCH 4, 1965

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Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

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WITNESSES:

From *Board of Transport Commissioners for Canada*, Messrs. Rod Kerr, Q.C., Chief Commissioner, R. M. MacDonald, Director of Operation; from *The Coal Operators' Association of Western Canada*, Messrs. William C. Whittaker, Managing Director, Robert L. Banks; and also Mr. H. J. Darling, Director of Economic Studies, Department of Transport.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.  
and Messrs.

Addison	Grégoire	Millar
Armstrong	Guay	Mitchell
Balcer	Gundlock	Muir ( <i>Lisgar</i> )
Basford	Hahn	Nugent
Beaulé	Horner ( <i>Acadia</i> )	Olson
Berger	Howe ( <i>Wellington- Huron</i> )	Pascoe
Boulanger	Kindt	Prittie
Cadieu	Korchinski	Pugh
Cameron ( <i>Nanaimo- Cowichan-The Islands</i> )	Lachance	Rapp
Cantelon	Laniel	Regan
Cantin	Latulippe	Rheame
Cowan	Leblanc	Rideout ( <i>Mrs.</i> )
Crossman	Lessard ( <i>Saint-Henri</i> )	Rock
Crouse	Lloyd	Southam
Deachman	Macaluso	Stenson
Fisher	MacEwan	Stewart <sup>(1)</sup>
Forbes	Macdonald	Tucker
Foy	Marcoux	Watson ( <i>Assiniboia</i> )
Godin	Matte	Winch—60.
Granger	McBain	

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee pro tem.*

<sup>(1)</sup> On March 4, 1965, Mr. McNulty replaced Mr. Stewart.



ORDER OF REFERENCE

THURSDAY, March 4, 1965

*Ordered*,—That the name of Mr. McNulty be substituted for that of Mr. Stewart on the Standing Committee on Railways, Canals and Telegraph Lines.

*Attest*

LEON-J. RAYMOND,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

THURSDAY, March 4, 1965  
(29)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10.00 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Addison, Armstrong, Cantin, Cowan, Crossman, Deachman, Fisher, Foy, Godin, Granger, Macdonald, Marcoux, Matte, Regan, Richard, Rock, Stewart, Tucker, Winch—(20).

*In attendance:* From *Board of Transport Commissioners for Canada, Ottawa*, Messrs. Rod Kerr, Q.C., Chief Commissioner; R. M. MacDonald, Director of Operation; From *The Coal Operators' Association of Western Canada*, Mr. William C. Whittaker, Managing Director; From *R. L. Banks & Associates, Inc.*, Mr. Robert L. Banks, President; From the *Department of Transport*, Mr. J. R. Baldwin, Deputy Minister; Messrs. H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch; Mr. K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company*; Mr. J. J. Frawley, *Province of Alberta*; Mr. Alastair MacDonald, Q.C., and a representative from the *Canadian National Railways*.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman introduced Mr. Kerr, Q.C., Chief Commissioner, Board of Transport Commissioners for Canada, Ottawa, who was examined at length by the Committee.

Mr. Whittaker, Managing Director, The Coal Operators' Association of Western Canada, read a prepared brief which had been distributed in English to the Members of the Committee. The witness was questioned by the Committee and released.

The Chairman informed the Committee that for the next meeting on Tuesday, March 9, the following witnesses would be invited to appear:

North-West Line Elevators Association,  
Winnipeg, Manitoba.

(Mr. R. H. Weir, Secretary-Treasurer)

Branch Line Association of Manitoba,  
Winnipeg, Manitoba.

(Mr. Remi Depape, President)

National Farmers Union,  
Saskatoon, Saskatchewan.

(Mr. James McCrorie)

At 11.25 a.m. the Committee adjourned until 9.30 a.m. Tuesday, March 9, 1965.

Marcel Roussin,  
Clerk of the Committee.  
(pro tem)





## EVIDENCE

THURSDAY, March 4, 1965.

The CHAIRMAN: We have a quorum, gentlemen. At the last meeting it was suggested that we should have the chief commissioner of the Board of Transport Commissioners for Canada for a brief time with us to allow certain questions to be put to him about passenger service on the railways. I thought we might dispose of this item at the beginning of this meeting, following which we would have Mr. Whittaker, who is the managing director of the Coal Operators' Association of Western Canada, who have indicated that they wish to present a brief to us this morning.

Mr. Kerr is with us. Are there any questions?

Mr. WINCH: One of the key points at our last meeting was about the authority of the board of transport commissioners regarding both passenger fares as well as the operation of passenger service, and whether or not there are facilities, and if there is evidence that although facilities might be there, they are not being used for one reason or another. That was one interesting point that we had about your power.

Mr. Rod Kerr, Q.C. (*Chief Commissioner, Board of Transport Commissioners for Canada*): Well, Mr. Winch, and Mr. Chairman, the jurisdiction of the board is basically regulatory, as I think the committee members know. In respect of passenger services generally I would refer you to section 315 of the Railway Act which provides for the accommodation for traffic, and provides that the company, subject to the Railway Act, shall according to its powers furnish adequate and suitable accommodation for the carrying, unloading, and delivering of all such traffic.

Now, the section is longer than what I have cited, but that is the general purport of it. And I would refer you to section 33 which says that the board has full jurisdiction to inquire into, hear, and determine any application complaining that any company has failed to do anything required to be done by the Railway Act or special act or the board's regulations. So our jurisdiction, generally speaking, in respect of passenger services stems first from the obligation of the railway companies to provide or furnish adequate and suitable accommodation for traffic. That in the first instance is a managerial function, because the railways decide what trains to run and when the trains shall run.

The board can only come in if there is some complaint or something drawn to the attention of the board which indicates that the railways are not fulfilling their statutory obligations. Consequently, when the board does receive complaints, or when through its own staff it is made aware of certain conditions, the board has power to inquire into the situation to see whether or not there is a violation of the Railway Act by a railway company, or some non-observance of the requirements of the Railway Act to provide adequate and suitable accommodation for traffic.

Mr. WINCH: Now I shall ask my second question, and I put it to the chairman of the board of transport commissioners to state whether or not it is a type of question which he can answer. If you are in a position to do so, could you give this committee any information about the policy view of removing from the board of transport commissioners certain powers and placing them under another three man commission responsible to a different minister, namely, to the Minister of Agriculture, on such matters as branch line abandonment as this principle has been suggested.

Mr. KERR: The members of the board naturally have discussed the recommendations of the MacPherson commission not only as between themselves but with the board's staff. The board has not prepared any written formal statement. The board felt that the railway committee and parliament would be more competent than the board to decide such questions of national policy.

Mr. WINCH: Who is more competent than the board to consider matters affecting railways?

Mr. KERR: You are too kind to us. I was talking about general matters of national policy. I may say that the board has no objection whatsoever to this transfer of authority that you speak of.

Mr. WINCH: May I ask a further question, in view of the experience of the board. Was your opinion sought on this matter?

Mr. KERR: No.

Mr. WINCH: You say it was not.

The CHAIRMAN: Now, Mr. Addison.

Mr. ADDISON: As the head of the board of transport commissioners, does your jurisdiction fall into the area of passenger commuter services?

Mr. KERR: We have jurisdiction over commuter services.

Mr. ADDISON: Was your board brought into the discussion regarding commuter service that was discontinued, running into Toronto through Agincourt, which was deversed at a later date?

Mr. KERR: I do not know which of the particular services you are speaking of; the board held public hearings some years ago in Toronto in respect of commuter services provided there by the Canadian National Railways.

Mr. ADDISON: This was about six months ago.

Mr. KERR: Well, the board was not consulted about that. The railways may have made changes in the running of their trains which they have the power to do without first obtaining approval of the board. But if they make such changes and if the board receives complaints, the board then has power to look into the matter to see whether or not the changes should be allowed to go into effect.

Mr. ADDISON: On this question of passenger commuter service, it is fairly evident that the railway companies are resisting any extension or inauguration of this type of service for a variety of reasons. Under the power of your board can you request the railways to carry on a service of this type?

Mr. KERR: The board in the early 1950's, when the hon. Mr. Justice Kearney was the chief commissioner, spent some weeks on commutation problems as they were in the two main areas, Montreal and Toronto. Speaking from memory as to what the board decided at that time, the decision was that the board should not compel any railway to initiate commutation services which would not meet out of pocket expenses.

Mr. WINCH: May I ask a supplementary question?

The CHAIRMAN: Are you through, Mr. Addison?

Mr. ADDISON: I would like to ask one other question of Mr. Kerr. Therefore, the only avenue of initiating a form of commuter service from a less densely populated to a more densely populated area is by having the railways decide to do this themselves. Are there any other avenues?

Mr. KERR: I think the initiative of instituting commutation services lies with the railways themselves.

Mr. ADDISON: Well, if the railways see fit, or for one reason or another they cannot justify out of pocket expenses, do you not feel that the railways have an obligation to provide passenger service in a situation such as this?



Mr. KERR: You mean to do so at a loss?

Mr. ADDISON: At an initial loss, perhaps, but obviously this is going to have to come about.

Mr. KERR: Well, I can only repeat what the board decided some years ago, as I have already said, the board expressed a decision that it should not order the railways to initiate commutation services which would be operating at an out of pocket loss.

Mr. ADDISON: When you say "out of pocket loss", what do you mean?

Mr. KERR: Well, it is the bare cost of operating the service. Out of pocket loss is something which has been defined in very many ways. It has been called direct cost. In the commutation cases that we heard, when some of the members were present, at our most recent hearings in Montreal last year and the year before, the costs that were involved in commutation services were very fully put on the record at that time.

The Canadian Pacific Railway Company at that time stated in respect of the Montreal-Vaudreuil-Rigaud commutation service that it was operating at a very considerable loss and it asked for, or filed increases in commutation fares. The board refused to allow the fares to go into effect at the hearing, and very extensive hearings were held. The increases which were finally allowed to go into effect were less than would meet the out of pocket costs of the railways, especially what the Canadian Pacific Railway asked for at that time.

Mr. ADDISON: You say that if these out of pocket expenses do occur the board sees no reason why they should initiate a service. But if the province for one reason or another agreed to make up this difference so that the railway might operate at a break even point, would it then be possible to make representations to the board of transport commissioners to have such a service initiated?

Mr. KERR: Yes, but I would think that in that case the railways would very probably accede to the wishes of the authorities and institute the service so long as they felt they were not going to suffer a loss. In all the commutation cases we have heard the question of a subsidy by cities or other authorities has been very much to the fore, and we have been told what is being done in the United States in that respect, or in some areas of the United States. But at the present time there is no passenger train subsidy for commutation service.

Mr. ADDISON: Thank you.

Mr. WINCH: Just for clarification, do I understand from the remarks of the chief commissioner a few moments ago concerning the railroad passenger service, whether it is of a commuting nature or not, they can make changes and dispense with certain services without receiving prior consent from the board of transport commissioners?

Mr. KERR: Yes; there are two broad classes of changes in passenger train services. One is where the amount of service is reduced but not completely eliminated. There might be a service running six days a week between two points. The railway company might wish to reduce that service to a three day a week basis, but still maintain some service. In that case the railway company can do so without obtaining the prior approval of the board. But it has to give notice to the board in advance, and it has to post information in the stations concerned in advance concerning the reduction in service. Then following the notices, if the board receives complaints against the reduction of service, the board may make such investigation as it thinks proper, and it has the power to order the railways to continue the service pending the hearings or pending the investigation. And that has been done in quite a few cases.

The other situation is where the railway intends completely to eliminate all passenger train services between certain points. In that case the practice

is this—in fact it is not a practice required by any provision of the Railway Act, but it is a practice which the board requires—the railway must apply to the board for permission to eliminate that passenger service.

Mr. WINCH: What would be the situation under a certain proposal of which there has been considerable publicity in the past year where the railways maintain that since they operate at a loss on the transcontinental system, they could put over the rails a dayliner service from point to point and drop the straight transcontinental service? Could they make such a change without your authority?

Mr. KERR: They could initiate that change without our prior approval. As soon as they make any such change the situation might be that we would receive complaints, and I think we would be in a position to look into it.

Mr. WINCH: I think we ought to amend the act so that they cannot do it without first obtaining your approval.

The CHAIRMAN: Now, Mr. Regan.

Mr. REGAN: May I ask the chief commissioner a number of questions. First of all, what would the power of the board be with respect to passenger service, or passenger rates which the railways charge, and also concerning the maze of rates for goods which are carried by the railways?

Mr. KERR: Well, Mr. Regan, there are general provisions in the Railway Act which provide for equality of rates under substantially similar circumstances and conditions. There are provisions which provide for the equalization of freight rates, and there are provisions against unjust discrimination which apply to rates as well as to facilities and service. There is a general over-all provision that the rates must be just and reasonable. As a lawyer you know that that term cannot be precisely defined, but it does have certain connotations in the statutes in which it is used.

Mr. REGAN: Yes, but to what extent do you interpret the responsibility of the board regarding the prohibition against discrimination in the present act?

Mr. KERR: The board carries out the mandate of the act that unjust discrimination is prohibited. There can be discrimination, which is essentially different treatment. It is only discrimination that is unjust which is prohibited by the act.

Mr. REGAN: In the context of your experience with the board, what type of discrimination have you considered or found to be unjust discrimination?

Mr. KERR: Oh, our reported cases are just replete with allegations of unjust discrimination. As a matter of fact, we heard a case in Winnipeg very recently, and another case in Ottawa even more recently in respect of specific rates, not the general over-all rates, but in respect of specific rates when certain parties claimed that the rates that they were being charged were higher, and therefore they were unjustly discriminated against as compared with rates which were being charged in the same area.

Mr. REGAN: If you found that to be the situation, would you consider that to be unjust discrimination?

Mr. KERR: Well, depending on whether or not the traffic was carried or was offered for carriage under substantially similar circumstances and conditions. There are certain basic principles applicable in respect of unjust discrimination as between parties; one of the criteria is that the parties must be under competition with each other, and that there must be competition. Another is that the situations must be substantially similar.

Mr. REGAN: In your experience have you found many instances of unjust discrimination which was not only alleged but also established?

Mr. KERR: We have found very few in recent years. I may say as well that where there is a higher rate and a lower rate, and the person who is paying the



higher rate complains that he is being unjustly discriminated against because his competitor is being given a lower rate, the power of the board generally is, if there is found to be unjust discrimination thereby created, to order the railways to remove the unjust discrimination. In most cases the railways can do that in either one of two ways: one by reducing the higher rates to the level of the lower rate, or on the contrary, by putting up the lower rate to the level of the higher rate.

Mr. REGAN: During your tenure as chief commissioner have you had occasion to order the railways to do so?

Mr. KERR: I cannot be sure of my memory in that respect, but certainly if there have been such occasions they have been very few.

Mr. REGAN: I suppose in some instances when a matter comes before the board, and when it is apparent that a *prima facie* case is being established the railway would act on it rather than to wait until a final determination. Would there be any guarantee?

Mr. KERR: If the railways found that a case could be made against them for unjust discrimination I think they would be rather foolish to force the thing to a hearing.

Mr. REGAN: Then you would say, since some cases are decided in that manner, that these provisions in the act against discriminations have been a useful safeguard. I am putting these words in your mouth, Mr. Kerr.

Mr. KERR: One of the reasons for the act, when it was first put into effect, was to deal with discrimination cases; as you may know, the forerunner of the Railway Act was the Interstate Commerce Act, which largely was an act to prevent unjust discrimination. When you view the situation in respect of all those discriminations in a broad perspective there is far less evidence of unjust discrimination now than there was in former years.

Mr. REGAN: Perhaps that is because of the existence of prohibiting regulations against it and you do not have to prosecute in every case, once the precedent is established.

Mr. KERR: That could be. I think the railways would be loath to violate the provisions against unjust discrimination if they thought the matter would be brought to the attention of the board for corrective action.

Mr. REGAN: Do you personally then see any danger in the intention that the new act shall not have any such prohibitions?

Mr. KERR: I really do not know. I think it depends largely on the good sense that railway management may show in what it does under any new rate-making freedom which is given. Personally, I have no fear that very much harm would be done by removing these provisions. But, there are contrary opinions. I have read literally hundreds of articles on it, largely from the United States, where the question of de-regulation is very much to the fore. We have numerous different opinions.

Mr. REGAN: Before I turn to another aspect of this bill, would you agree that the continued existence of some prohibition in the act against discrimination is a reassurance to the shippers themselves because there would be some remedy if they felt there was discrimination?

Mr. KERR: Using your own expression, I think it would be some assurance to them, but I do not know whether or not they would need that assurance in the light of actual conditions. Only such actions that are taken in the future will determine whether that need exists and whether that assurance is necessary.

Mr. REGAN: Now, I would like to turn to another subject, Mr. Commissioner. You mentioned that the board's responsibility is to ensure that rates are just and reasonable. In carrying out these responsibilities have you felt,



because of the vast maze of regulations and so on concerning freight rates in this country, that your board has been at a disadvantage compared to the railways, which have a much larger and more extensive costing staff and facilities.

Mr. KERR: I do not think the board has been at a disadvantage in that respect.

Mr. REGAN: You are satisfied that you have had sufficient people in this end of your operation.

Mr. KERR: We have a very good nucleus costing staff. But, as you know, the science of costing is rapidly developing; it is very much different now from what it was a few years ago. When agreed charges were subject to the board's approval, which was prior to 1955, I think, at that time under the transport act, carriers and shippers could enter into agreed charges, but they could not go into effect until approved by the board. That approval no longer is necessary. But, at that time one of the things which the board had to look into was whether or not the agreed charges were compensatory, as a result of which the board's staff had to look into the cost of carrying that particular traffic. So, in those years we had considerable experience in costing. But, of course, the MacPherson commission has recommended that the board be provided with an additional staff, and this would be necessary if we are going to do the costing work which the royal commission has recommended.

Mr. REGAN: Am I correct in stating that the royal commission concluded that the figure that the railways submitted in respect of losses on the movement of wheat was grossly in excess of what the royal commission found to be the actual loss, something like \$70 million compared with \$16 million.

Mr. KERR: Mr. Regan, I do not know about that. Our own staff did the costing study in respect of the carriage of some grain from certain ports of Ontario to the river and eastern ports, including your port of Halifax. The railways gave us their cost figures and our own staff made studies. At that time we found that the traffic was being carried at less than cost. We allowed an increase to go into effect. It was not as large an increase as the railways wanted, but it was an increase that would cover costs. You know very well the result; the board's order was suspended at the time and it is still standing suspended in respect of those rates.

Mr. REGAN: You are not aware then of the royal commission's finding that the railways' figures in respect of loss on grain movements were excessive?

Mr. KERR: I have read the royal commission report. I do not keep the figures in my mind, but I am aware of what they said.

Mr. REGAN: At the time of your investigation on the specific portion of the grain movement you mentioned were the figures your board brought forward in respect of the cost to the railways much the same as the figures that the railways had reached.

Mr. KERR: I cannot recall what difference there was.

Mr. REGAN: You do not recall the difference?

Mr. KERR: No.

Mr. REGAN: But, you do agree with the royal commission that if you are going to carry on the responsibility envisaged by them in the future you would need additional costing staff.

Mr. KERR: Very definitely.

Mr. REGAN: I wonder if I could deal with passenger services now because we did have some discussion on that earlier.

As you have outlined your responsibility in this regard, if a railway decides to abandon a service or make a material change therein, giving the necessary

public notice, and if the board receives protests, it is then empowered to suspend temporarily, to hold a public hearing, and determine eventually whether the railways may be allowed to carry out their intention?

Mr. KERR: Substantially, but you are putting it a little bit more restrictive than I would. We have certain powers to act on our own motion. Our powers to act are not dependent upon receiving complaints but, generally speaking, where train service is reduced a notice of the reduction is given, and if the public does not like the change we will hear about it very quickly.

Mr. REGAN: But you have an absolute power to stop them from doing so.

Mr. KERR: I think so. We have exercised that power and it never has been attacked.

Mr. REGAN: When determining whether or not a railway would be allowed to abandon a passenger service or to reduce it, do you consider factors other than the question of whether or not this passenger service is losing money?

Mr. KERR: Yes. Perhaps I could put it very briefly by reading a short paragraph from a judgment given by the board. This judgment was given in 1960 in respect of passenger trains between Newcastle and Fredericton. Because I wrote the judgment myself I am quoting my own words:

The Railway Act does not lay down any policy or principle that the board should or must follow in determining applications of this kind. The policy of the board, uniformly applied throughout Canada, is to assess whatever need the public may have for train services and decide whether loss and inconvenience to the public consequent upon discontinuance of a train service is outweighed by the burden that continued operation of the service would impose upon a railway to such an extent as to justify discontinuance of the service. The point at which discontinuance shall be considered justifiable is a matter of sound judgment. The situation in each case calls for a decision by railway management in the first instance, but the management decision may be reviewed by the board upon application or complaint or of its own motion. In arriving at this decision the board takes into consideration all relevant factors, including the population and economics of the area concerned, the need of the public for train service and the kind of service given, the volume of patronage by the public and the prospects for patronage in future, alternative transportation services and the burden to the railway company of discontinuance of a service and the effect on it of discontinuance.

Mr. REGAN: That is very well stated. What was that case?

Mr. KERR: The Fredericton-Newcastle one. As a matter of fact, in that one pamphlet, which contains the judgment I just read, dated December 15, 1960, there are also five other judgments in respect of abandonment of lines, one of which was refused in toto, one of which was refused in part and others were granted. These are all included in volume 50 of the board's judgments, orders, regulations and rulings. One of those judgments in which the application for abandonment was granted was appealed to the governor in council and the governor in council dismissed the appeal. But, in that one pamphlet are set out the considerations and the policies that are taken into account and applied by the board in passenger train and abandonment cases.

Mr. REGAN: Inasmuch as one of the major railways in our country in the last while has been openly stating it wishes to get out of passenger services and that it is not interested in running passenger trains, do you feel such statements, when you are examining an application for abandonment of service of that particular railway, should be scrutinized with a more jaundiced eye with regard to the manner in which they are attempting to change their operation.



Mr. KERR: Well, each individual application has its own characteristics and when we hear a case involving passenger trains usually we have senior officers of the railway concerned before us, who tell us what the policy is, how it is applied, and why it is being applied in this particular case.

Mr. REGAN: Among other things in determining whether the loss that a railway is suffering justifies abandonment do you consider whether the railway is maximizing its net income from the operation by running at the best hours? Do you go into such matters?

Mr. KERR: Where these matters are raised we do. If there are suggestions made that the trains run out in the morning instead of in the evening, in other words, they reverse their schedule, we ask the railways to deal with that, to tell us whether it is feasible, and what the effects would be in respect of cost and patronage. There have been cases where we have acceded to the submissions of the public and urged the railways to change their operations. Perhaps they might be putting on a railliner instead of a conventional train, and they might be running the trains at a different hour.

Mr. REGAN: Do you have the power to order them to change the hours?

Mr. KERR: Yes; we have that power. It is not a power that we exercise hastily because, basically, that is a management decision. As I said, we can step in only if the way they are running their trains does not comply with the Railway Act.

Mr. REGAN: You believe in the principle that you can catch more flies with a little bit of honey than you can with a gallon of vinegar.

I have another question regarding reservations on passenger trains. Since making some remarks in the house that were not particularly flattering about the Canadian Pacific Railway I have received quite a number of letters from people setting out their personal experiences when attempting to make passenger reservations. I have been told they have attempted to do so a substantial time ahead of their day of travel and have been unable to get the reservations. Also, in some instances, after boarding the train, they have found that it is not filled to anywhere near capacity. Does the board of transport commissioners receive such complaints?

Mr. KERR: Yes, we receive individual letters in that respect.

Mr. WINCH: If you have not enough of these letters I can supply you with a lot more.

Mr. KERR: When we receive these complaints we inquire about the circumstances. Generally speaking, the railways have some explanation for it, and whether or not it is an acceptable explanation depends on the viewpoint of the person concerned. But, every time we receive a complaint we take it up. I may say that I have not the record of any of the proceedings of this committee to date but if the complaints of members have been put on the record we certainly will take cognizance of them and look into their particular situation.

Mr. WINCH: Well, three members of parliament did just that at our last meeting.

Mr. REGAN: Perhaps I will send some letters along to you for your perusal. But, when investigating these matters you have found that in some cases the facts or circumstances alleged were accurate, that they had some explanation or reason for it.

Mr. KERR: Well, they always have an explanation but whether or not it is a good one depends on the point of view. I may say that in every instance where we have asked the railways to change their mode of operation, either by changing time schedules or putting on different types of equipment, it has been a rather unfortunate experience. Indeed, this did not result in an



increase in patronage. After a year or two we found that really all we had done was to perpetuate the deficit of the railway for that period of time.

Mr. REGAN: Inasmuch as these dissatisfactions with reservations certainly would tend to send people away to other types of transportation, have you considered investigating the system of reservations, the efficiency of it, and whether in general it could be improved so that the public would be more satisfied with travel on trains?

Mr. KERR: I think the system is changing somewhat. In recent months the railways have been moving toward more reservations for coach travel. We have not made any investigation of the system. We have dealt with individual complaints, but we have not investigated the system as a whole to see whether it is a bad system or whether some better system should be initiated.

Mr. REGAN: If you find that in a number of instances people have been turned down in requests for reservations and discover subsequently that the trains have not been operating at or near capacity, would this lead you to the conclusion that the system of arranging reservations should be investigated?

Mr. KERR: Perhaps so, if that pattern were established. I do not know that we could arrive at any conclusion that the system is bad because of isolated complaints. However, if the complaints received were so numerous or of such magnitude that they indicated a pattern, this certainly would be a matter we would be called upon to look into.

Mr. REGAN: I think probably those are all my questions.

Mr. ROCK: Mr. Chairman, first I would like to know whether or not it has been established that the commuter service is included in the passenger service referred to in section 314; in other words, do the subsidies to the two railways also apply to the commuter service? I would like to know from you, Mr. Chairman, whether or not this has been established. I was not here on Tuesday.

The CHAIRMAN: I do not think so.

Mr. ROCK: Then perhaps this would not be a proper question for Mr. Kerr.

The CHAIRMAN: Perhaps Mr. Darling could answer the question.

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): On page 14 of the bill, subsection (6), it is stated with regard to passenger train deficit that this section does not apply in respect of a passenger train service accommodating principally persons who commute between points on the railway of the company providing the service. In other words, the commuter service is not included in the over-all amount of passenger service and therefore is not subject to the deficit policy.

Mr. ROCK: But it does not say that directly. I would like to know who judges whether or not passenger service is a commuter service. Commuters still are passengers. I am in doubt in respect of the terms used. There is nothing specific in this bill which says that commuter service is not included in this new subsidy.

Mr. DARLING: Well, this is quite specific. I think it attempts to define commuter service. It says:

This section does not apply in respect of a passenger train service accommodating principally persons who commute between points on the railway—

Mr. ROCK: In subsection (7) it says:

—“passenger train deficit” means the deficit attributable to the carriage of passengers, express or mail, or any combination of passengers, express or mail, in passenger service equipment in the trains of the company.

I do not see anywhere in this bill where it excludes commuter service.

Mr. DARLING: The preceding subsection (6) is what I have been reading.

Mr. ROCK: I find it very unfair that we are going to allow a large subsidy of \$20 million and yet, with regard to commuter service, most of the railway companies want to opt out of this service and hand it out to other transit companies.

Mr. Kerr, has your commission contributed any information to the formulation of this bill?

Mr. KERR: Yes, I think so. Inquiries have been made of us and we have seen draft copies of the bill. We have found some technical matters to comment upon.

Mr. ROCK: Mr. Winch asked a question concerning this, but of course his question was on a specific matter. Therefore, I thought possibly in general you did not contribute any information toward the formulation of this bill.

Mr. KERR: So far as we were concerned our function was to see whether the legislation was consistent with the recommendations of the commission. Obviously, in trying to put the recommendations into statutory language, some of our people in our traffic branch, our legal branch and our economic branch had discussions concerning the words to be used and what effect they would have on other sections of the bill, and various other matters. When we saw a draft copy of the bill, if we saw something was omitted or something that was in conflict with some other provision in the bill, we would draw this to the attention of the parties who were drafting the bill.

Mr. ROCK: My next question does not have much to do with the bill, but I would like to ask a question with regard to commuter service on the C.N.R. line from St. Eustache through Pierrefonds, Roxboro, and the town of Mount Royal to central station via Mount Royal tunnel. There have been certain statements made, I believe by the president of the C.N.R., to the effect that they may sell this railway system to the rapid transit system of the city of Montreal. Do you have any information on this, or have there been any letters of intention, or anything in this regard?

Mr. KERR: I do not think there has been anything official addressed to the board. We have read the same reports you have and in some discussion we have had with the C.N.R. people they spoke generally about what might be in prospect.

Mr. ROCK: What I am interested in is what would happen in respect of the grade crossing fund and the grade separation legislation; what would happen on a system like this where at this time they have many level crossings which should be separated? If the C.N.R. transfers this line to the rapid transit system of Montreal, does the grade crossing fund apply to that system once it belongs to the city of Montreal—Metro, or whatever they call it?

Mr. KERR: I would think that if the railway were transferred to provincial authority the railway grade crossing fund no longer would apply to it. That fund applies only to railways which are subject to the Railway Act and are subject to the legislative authority of the parliament of Canada. If it so happened that this railway were taken out of federal jurisdiction and transferred to provincial jurisdiction, as a provincial undertaking and ceased to be a railway subject to the Railway Act, it would follow that the railway grade crossing fund would not be available in respect of that line once that condition came about.

Mr. ROCK: What would be your position if at this moment the municipalities in the area did make a request to your commission for this grant because they had the intention of building underpasses or overpasses at every crossing; what would be the situation in respect of this if the C.N.R. had intentions of



transferring the line but the negotiations were not complete or possibly the city of Montreal was not ready to accept this? What would be the position of your board in such a case?

Mr. KERR: I think it is well established that the board would have to act under the existing law. As a matter of fact, one of the decisions of the board went to the Supreme Court of Canada a few years ago and that was laid down by the Supreme Court of Canada. I would think that if it were established as a fact before the board that the lines were to be changed in some respect, we would have to consider what effect the proposed changes would have on the power of the board to apply moneys from the fund toward the line.

Mr. ROCK: Then, let us suppose that the C.N.R. would transfer the property of that line completely and yet wish to have use of that trackage at certain times. What responsibility would your board have in that regard in relation to the railway crossing fund?

Mr. KERR: You are drawing me rather far afield.

Mr. ROCK: You can understand my concern because I have received a letter from the mayor of Roxboro who is concerned about this. As a member from that area I, too, am concerned. If I could, I would like to have these answers. In this situation you would have the C.N.R. possibly using that railway at certain times for railway business and yet they would not have the complete responsibility for maintenance; they would merely pay rent for the trackage. Will they wash their hands of the financial responsibility for the proper separation of grades?

Mr. KERR: Well, the simple proposition that you put, that the C.N.R. still may want to run some trains there, would be only one part of the picture. We would have to look at the whole legislation which would transfer the line to another body. We would have to see whether under the new situation the line, as such, would come within the definition of the Railway Act under our jurisdiction. I really cannot prejudge the matter without having all the facts before me. You only outlined some of the facts; you have not indicated what the terms of the legislation would be. That would be very material.

Mr. ROCK: You can understand my concern in this.

Mr. KERR: Yes.

Mr. ROCK: Thank you.

The CHAIRMAN: Are there any other questions for the chief commissioner? If not, we will proceed to the brief to be presented by the Coal Operators' Association of Western Canada.

Thank you very much, Mr. Kerr.

Mr. W. C. WHITTAKER (*Managing Director, The Coal Operators' Association of Western Canada*): Mr. Chairman and gentlemen, I am the managing director of the Coal Operators' Association of Western Canada and I am accompanied here by Mr. R. L. Banks of Washington, D.C.

The Coal Operators' Association of Western Canada is comprised of three companies as follows:

The Canmore Mines Limited, Canmore, Alberta  
Coleman Collieries Limited, Coleman, Alberta  
The Crow's Nest Pass Coal Co. Ltd., Fernie, B.C.

These companies in the year 1964 produced approximately 1,600,000 tons of medium and low volatile coking and non-coking coals. All three of these mines are located on Canadian Pacific Railway lines and the total production is shipped by rail, there being no markets close enough to make truck shipments. As a result, the total production is captive to Canadian Pacific as defined by section 335, subsection (1).



Sixty per cent or more of the tonnage is exported to steel mills and to chemical and gas companies in Japan via Port Moody, British Columbia, with government assistance in the form of subventions. The balance of the tonnage is used almost exclusively in metallurgical operations in western Canada and the western United States.

For the purpose of this submission we will confine our observations to section 335 which deals with the matter of maximum rate control.

We believe that the purpose of this section providing for maximum rate control is good but feel that its provisions are so hedged around by restrictions as to make it virtually worthless so far as low value bulk commodities are concerned. In this regard we wish to register the following objections. Determination of Variable Costs (Subsection 3)

This subsection reads:

In determining the variable cost of the carriage of goods for the purposes of this section the board shall

(a) .....

(b) .....

(c) Calculate the cost of carriage of the goods concerned on the basis of carloads of 30,000 lbs. in the standard railway equipment for such goods.

The production of our member companies moves for the most part in hopper cars which have capacities up to 160,000 pounds. The average hopper car loaded with export coal in the period May 21, 1960 to September 30, 1963 carried 142,760 lbs. of coal. This average weight reflects the number of smaller and older type cars supplied by the railway company. The mines also ship a small proportion of their production in box cars at the consignees' request. The minimum net weight of coal carried by these cars is 90,000 lbs.

It is apparent therefore that the calculation of variable costs using the 30,000 lbs. stipulated in subsection 3(c) would be a most unrealistic procedure even allowing for the adjustments provided under subsection 5(b)(ii) and further that costs calculated on this basis would be grossly inflated in the case of coal shipments and would bear no reasonable relation to actual cost.

We suggest therefore that if there is to be any real or factual measurement of the variable cost of low value bulk commodities, subsection 3 must be amended to provide that the actual shipping weights be used for such calculation.

Finding the Rate Applicable to the Carriage of the Goods

Subsection 2 provides .....

..... the board may after such investigation as it deems necessary fix a rate equal to the variable cost of the carriage of the goods plus one hundred and fifty percent of the variable cost, as the fixed rate applicable to the carriage of the goods. ...

Coal is a low value bulky commodity. Our average realization at the mines in 1964 was \$6.42 per ton.

A cost study for the year ending September 30, 1963 showed that the revenue received by the railway covered not only all the variable costs of the railway movement, but also made a substantial contribution to the railway's overhead costs.

In the specific case of Michel this contribution to railway overhead (or fixed) costs amounted to 70 per cent of the variable cost. If 150 per cent had been added as required by subsection 2 the rate would then have become \$7.45 per ton as compared with the existing rate of \$5.13. At a \$7.45 rate no coal would move and such an increase would simply close down the mines. As a

matter of fact even at the \$5.13 rate it is only with the utmost difficulty that the mines are able to maintain their competitive position.

It is to be noted that the above quoted costs are based on actual car weights of 172,000 lbs. It can be readily appreciated what these costs would be if the fictitious 30,000 lb. figure had been used plus the pyramiding effect of adding 150 per cent to an already much inflated figure.

We submit therefore that this subsection must be amended in the light of its effect on low value high volume commodities.

#### Subsection 10—Existing Level of Rates Prevails for Fixed Periods

This subsection provides that no remedy can be sought through section 335 with respect to an existing rate unless and until the carrier advances such rate, even though because of changed conditions the rate may have become manifestly unjust and unreasonable.

As an example, the carload rate on coal from Coleman, Alberta, to Vancouver is \$5.55 per ton. This rate applies whether one car or one hundred cars are shipped at one time and whether they are shipped to one consignee or to fifty. In contrast the export rate from Coleman to Port Moody, which is located 13 miles east of Vancouver is \$5.13 per ton. More than 400,000 tons of coal will move in 1965 from this one origin to the one destination; a good deal of it in trainload lots. The same situation applies in the cases of Michel and Canmore where 400,000 tons and 165,000 tons of export coal respectively will be shipped during the current year.

It is submitted that this export rate does not recognize the savings inherent in the movement of large volumes of coal, often in trainload lots, from one origin to one destination. Under the terms of subsection 10 as written the captive shipper has no recourse to maximum rate control unless a rate already more adequate is further increased.

Over the past five months the coal operators have been making representations to Canadian Pacific regarding rates for the shipment of export coal by integral and unit trains between the mines and Port Moody, as and when ground storage becomes available at the latter point.

We are unable to predict the outcome of these negotiations. We may or may not arrive at satisfactory rates. If we are unable to do so and if section 335 is enacted without amendment we will have no recourse to the transport board unless and until the present rate is increased and as captive shippers we would then be compelled to attempt to live with whatever rates the carrier may decide to impose.

The combined effect of subsections 10 and 14 is virtually to prevent invoking maximum rate regulation for a period of five years.

Even if the barrier set up by subsection 10 were removed, recourse to the board would be of no value to us so long as variable costs are calculated on the 30,000 lb. basis and 150 per cent is added to variable costs to fix a maximum rate.

In Summary, we recommend that:

- (1) Subsection 3 be amended to provide that the actual weights of shipments be used in calculating variable costs.
- (2) Some lesser and more realistic figure than 150 per cent of variable cost be used in subsection 2 in determining a realistic maximum contribution to overhead cost in the case of low value high volume commodities.
- (3) Subsection 10 be amended so that the captive shipper may at any time apply to the board to fix a rate.

The CHAIRMAN: Thank you, Mr. Whittaker. Now, I wonder if Mr. Banks has anything to add to this brief? If not, are there any questions? Are there any

other comments from any other interested parties in the room? Mr. Darling, I wonder if you have anything to offer by way of clarification? I was thinking that you might clarify, but not discuss the brief.

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): I was just going to say that at the last meeting Mr. Stewart asked us to prepare a statement describing the basis of the choice of this 150 per cent.

The CHAIRMAN: I shall come to that after. Have you anything else to say, Mr. Whittaker?

Mr. WHITTAKER: No.

The CHAIRMAN: Thank you very much.

Mr. REGAN: I think, Mr. Chairman, we would want Mr. Whittaker to know that we are very interested in his brief, and since we have only seen it just now we shall want to digest it and will be taking it under consideration in our further deliberations. I think all the members of the committee appreciate the fact of his coming and making his presentation.

Mr. WHITTAKER: I regret that owing to the lack of time we were unable to have this brief in the hands of the committee before today.

The CHAIRMAN: It was very short notice, I know, and I appreciate that you were able to bring it to us.

Mr. COWAN: What would be the impact of the government's subvention on this coal per ton?

Mr. WHITTAKER: Two dollars and seventy three cents per ton.

Mr. COWAN: Would that be the total subvention for ground shipment and sea transport, or would it be just for ground shipment alone?

Mr. WHITTAKER: It would be for ground shipment alone.

Mr. COWAN: How many people are there in the Canmore area which depend on this coal production in order to keep their families?

Mr. WHITTAKER: That is really a difficult question to answer. There are about 1,200 union employees plus the others involved with the three mines, and the communities at the eastern end of the Crowsnest Pass from Cranbrook east to Macleod are dependant on this as well as those elsewhere in Canada.

Mr. DEACHMAN: There is some concern over storage facilities at Port Moody. I presume that would be the coal handling dock of the Canadian Pacific Railway.

Mr. WHITTAKER: Yes, that is correct.

Mr. DEACHMAN: Can you enlarge a little on this? How long do you expect it will be before these facilities become available? Can you enlarge on the nature of the facilities? What is the picture?

Mr. WHITTAKER: This problem results from the increased size of the ships in use. With economies in ocean shipping we are now using ships of from 25,000 to 35,000 tons which require anywhere from 500 railway cars up to supply each ship. We cannot control the ships, because they do not arrive exactly on time, and this may result in a number of railway cars being tied up. The dock at Port Moody, the Pacific coast terminal, has plans under way. They have one loader only, without any ground storage.

Mr. DEACHMAN: That is the one for the shore to ship loading?

Mr. WHITTAKER: That is right. They are planning to have two more loaders, one loader which would handle bulk commodities such as coal, potash, sulphur and so on, and another one to handle wood chips exclusively, and they would have to provide storage not only for coal but also for sulphur and potash.



They have plans under way, and they have told us that they expect to have some storage available 12 months from now. That may be a little optimistic, so let us say from 12 to 15 months.

Mr. DEACHMAN: Have you any indication when additional loading facilities will become available?

Mr. WHITTAKER: Loading facilities are going forward at the same time.

Mr. DEACHMAN: This would include loading facilities along with the bulk storage that you speak of?

Mr. WHITTAKER: Yes.

Mr. FISHER: What comparison may be made between the cost of moving your coal and the rate charged to lignite producers and other bulk commodity shippers on the prairies?

Mr. WHITTAKER: There are no lignite export shipments.

Mr. FISHER: No, of course.

Mr. WHITTAKER: The carload lot rates from a place like Drumheller are about the same as our single carload rate, namely \$5.55 per ton, which is the rate from Canmore.

Mr. FISHER: One is led to think, from the reference you make to your captive situation, you feel that if the rate picture could be improved it would improve your competitive situation?

Mr. WHITTAKER: I always think that if you have competitive carriers you will always get a better rate.

Mr. FISHER: How marginal is your operation? I am thinking in terms of your company looking ahead for 5, 10, to 15 years, particularly to the Japanese market. Does it look promising?

Mr. WHITTAKER: We are presently operating on a three year contract which expires on March 31, 1967; and we also know that additional competitive forces are coming into the picture now. Our biggest competitor at the present time is Australia. There are some developments in Queensland which are going to make the competitive situation closer than ever. Actually, the cost of transportation is the biggest single problem facing the coal industry, and it does not just apply to the export market.

Mr. FISHER: In other words, despite the lack of emotion in your brief, it could represent the difference between closing down or carrying on operations. That is implicit.

Mr. WHITTAKER: We have a very close operation.

Mr. COWAN: I would like to ask Mr. Whittaker a question or two. On page 4 he speaks of the carload rate on coal from Coleman, Alberta, to Vancouver as being \$5.55 per ton and that this rate applies whether one car or 100 cars are shipped at one time, and whether they are shipped to one consignee or 50.

When I was in Labrador last fall to have a look around, one of the sights I saw was a complete mile long train moving iron ore down to Seven Islands. What kind of reduction do you think you would get if you were to be charged for train load lots rather than at the rate of \$5.55 per ton? I am certain that the iron ore company would not be asked to pay the rate of \$5.55 per ton to ship their iron ore down to the coast.

Mr. WHITTAKER: We have several studies under way right now involving units of entire train loads, where coal would be moving directly in train load lots from the mines to the loading facilities, either to be loaded there straight into ground storage or loaded on to ships, depending on the circumstances. This would eliminate all switching and breaking of trains and that sort of thing en route, as is the case at the present time.

Mr. DEACHMAN: How much does that depend on the terminal facilities at Port Moody and on any changes therein?

Mr. WHITTAKER: In order to make unit trains possible, it would involve the tying up of a large number of cars, and we must have storage at Port Moody.

Mr. COWAN: Have you any example to show the rate per ton to move bulk products? I mean the rate per ton as compared to the charge for moving them by train load? You must have a good idea of the rate charged to move iron ore out of Labrador to Seven Islands by train load as compared to moving your product by single cars into Ontario?

Mr. WHITTAKER: I am told that the rate for the movement of iron ore down to Seven Islands is somewhere around 4/10 of a cent per ton mile as compared to our rate which runs from about .75 to .86 a cent per ton mile. In the United States where they have had considerable experience in moving bulk commodities by unit trains, where the shipper supplies his own cars, I think it can be safely said that this has had an effect on reducing the rate by at least one third.

Mr. COWAN: I wonder if Mr. Darling could throw any light on this subject?

The CHAIRMAN: Have you any information concerning this, Mr. Darling?

Mr. DARLING: I wonder if Mr. Cowan would please repeat his question.

Mr. COWAN: I was asking Mr. Whittaker if he had any figures of statistics to show what rate is charged by the railways to move bulk products by train load as compared to carload lots? I am thinking particularly of the line running from Labrador down to Seven Islands. The witness has given us an interesting figure. He said that from Labrador down it costs about 4/10 of a cent per ton mile, whereas in the west they are charged about .86 cents.

Mr. DARLING: I have no figures, but I know the rate would be considerably less when you move from a carload to a train movement.

Mr. COWAN: Thank you.

Mr. REGAN: Mr. Whittaker, I notice in your statement you say that the revenue received by the railway covers not only all the variable costs of the railway movement but also makes a substantial contribution to the railway's overhead cost. This being the case, presumably it is desirable business for the Canadian Pacific Railway. I wonder if the officials of the railway agree with that course, or have regard to the danger to your continued market of an increase?

Mr. WHITTAKER: I shall be quite fair. I think there is some difference of opinion between the railroad and our consultants of the profitability of moving this coal under present conditions.

Mr. FISHER: The Canadian Pacific Railway has made considerable investments. Do they have any substantial share in the ownership of the three mines?

Mr. WHITTAKER: None whatsoever that I know of.

Mr. FISHER: My third question relates to the provision by either the Alberta or British Columbia provincial government of a subsidy in any form. Are there any subsidies of any kind to assist you?

Mr. WHITTAKER: No.

Mr. FISHER: Would the dominion coal board be seized with all the factors concerned in your operation and of the marginal nature of it? Would its economists be able in a sense to give generally supporting evidence of your financial position?

Mr. WHITTAKER: Yes, the dominion coal board are privy to all our costs and are fully aware of the details of our operation.

Mr. FISHER: Have you had any discussion with either the Alberta or the British Columbia representatives in this whole matter of railway rates? I think you are aware that each government either has had special counsel over some years, or they keep a very sharply tuned ear, and they are quite prepared. Over the years they have made representations to the board as well as to the parliamentary committees. I wonder if you have taken this particular argument to the British Columbia or Alberta representatives?

Mr. WHITTAKER: In an informal way we have discussed this matter with the people who represent the provinces from time to time.

Mr. FISHER: As far as you know you have their sympathy and support in your presentation.

Mr. WHITTAKER: Well, I think we have their sympathy, and I think we have their moral support anyway.

The CHAIRMAN: Is that all? Once again it was a good thing that we had some time to think over your brief, although we had short notice, because I think we found there were some questions to ask you. I thank you very much. Mr. Darling, would you come forward, please.

During our last meeting we asked Mr. Darling to provide us with some information, and perhaps he could tell us about that now.

Mr. DARLING: Mr. Chairman, I think there was a total of seven or eight different items. Mr. Stewart and possibly one or two other members of the committee put questions. We are working on this information now and I would hope that most of it would be available at the beginning of the week. One or two of these involved compilation of figures; it will take more time to provide this information but we will get it to the committee as soon as possible. I presume members of the committee would like to read this information over before asking any questions or commenting on it.

The CHAIRMAN: Then, we will have your answers on either Monday or Tuesday.

Mr. DARLING: Yes.

The CHAIRMAN: Is there anything else you have ready for this morning?

Mr. DARLING: No.

The CHAIRMAN: Then, that will complete our sitting this morning.

I am advised that the North-West Line Elevators Association of Winnipeg wish to appear on Tuesday, as well as the Branch Line Association of Manitoba. We also have invited the National Farmers Union of Saskatchewan to appear on Tuesday.

There will be no further business this morning. Could I have a motion for adjournment.

Mr. TUCKER: I so move.

Mr. CANTIN: I second the motion.

Motion agreed to.

The CHAIRMAN: We will adjourn until 9:30 on Tuesday morning. We will be using this room.





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

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Tuesday, March 9, 1965

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Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

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WITNESSES:

From *North-West Line Elevators Association*, Messrs. Cecil Lamont, President; R. H. Weir, Secretary; D. H. Jones, Counsel; G. H. Sellers, President, Federal Grain; G. W. P. Heffelfinger, President, National Grain.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

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ON  
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Crouse	Lloyd	Southam
Deachman	Macaluso	Stenson
Fisher	MacEwan	Tucker
Forbes	Macdonald	Watson ( <i>Assiniboia</i> )
Foy <sup>(1)</sup>	Marcoux	Winch—60
Godin <sup>(2)</sup>	Matte	
Granger	McBain	
	McNulty	

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee*

<sup>(1)</sup>On March 8, 1965, Mr. Legault replaced Mr. Foy

<sup>(2)</sup>On March 8, 1965, Mr. Stewart replaced Mr. Godin



## ORDERS OF REFERENCE

MONDAY, March 8, 1965.

*Ordered.*—That the name of Mr. Legault be substituted for that of Mr. Foy on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

MONDAY, March 8, 1965.

*Ordered.*—That the name of Mr. Stewart be substituted for that of Mr. Godin, on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*



## MINUTES OF PROCEEDINGS

TUESDAY, March 9, 1965.

(30)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9.40 a.m. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Cantin, Cowan, Crossman, Fisher, Forbes, Granger, Horner, (*Acadia*), Legault, Macdonald, Macaluso, McNulty, Muir (*Lisgar*), Pascoe, Prittie, Rapp, Richard, Southam, Stewart, Tucker, Watson (*Assiniboia*) (21).

*In attendance:* From the *Department of Transport*, Messrs. J. R. Baldwin, Deputy Minister, H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch; Mr. K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company*; Mr. W. J. Parker, President, *Manitoba Pool Elevators*; Mr. A. M. Runciman, President, *United Grain Growers Ltd.*; Mr. J. W. Channon, Adviser to Minister of Agriculture on Branch Line Rationalization, Mr. Paul B. Tetro, Clark Macdonald & Co. Solicitor; Mr. Walter Smith, Canadian National Railways; From *North-West Line Elevators Association*, Messrs. Cecil Lamont, President; R. H. Weir, Secretary; D. H. Jones, Counsel; G. H. Sellers, President, Federal Grain; G. W. P. Heffelfinger, President, National Grain.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman introduced Mr. Jones who read a résumé of the brief which had already been distributed in English to the members of the Committee.

The witnesses from the North-West Line Elevators Association were called and examined by the Committee.

On motion of Mr. Cantin, seconded by Mr. Forbes,

*Resolved*,—That the brief from the Canada and Gulf Terminal Railway Company be reproduced in appendix to today's proceedings. (*See appendix B of today's proceedings.*)

The examination of the witnesses being concluded the Chairman announced that on Thursday, March 11, 1965 the Committee would consider Bill S-42, *An Act respecting Interprovincial Pipe Line Company*.

The following witnesses will be invited to appear on Bill C-120:

On March 23, The Port of Halifax Commission and National Farmers Union, Saskatoon, Saskatchewan.

On March 25, Canadian Manufacturers' Association, Toronto, and Canadian Industrial Traffic League, Toronto.



The Chairman thanked the witnesses for their cooperation.

Mr. Brown, having resigned from the Committee, it was necessary to elect a new Vice-Chairman.

Thereupon Mr. Stewart, seconded by Mr. Crossman moved that Mr. Macaluso be elected Vice-Chairman.

There being no other nominations, the Chairman declared Mr. Macaluso elected Vice-Chairman of the Committee.

At 11.45 a.m. the Committee adjourned until 10.00 a.m. on Thursday, March 11.

Marcel Roussin,  
*Clerk of the Committee.*

## EVIDENCE

TUESDAY, March 9, 1965.

The CHAIRMAN: Order, please. We have a quorum.

We have with us this morning representatives of the North-West Line Elevators Association. Our witnesses this morning are: Mr. Cecil Lamont, President; Mr. R. H. Weir, Secretary; Mr. D. H. Jones, Counsel; Mr. G. H. Sellers, President, Federal Grain Limited and Mr. G. W. P. Heffelfinger, President, National Grain Company Limited.

I understand that Mr. Jones, the counsel, will present a brief this morning, and I would ask him to proceed at this time.

Mr. D. H. JONES (*Counsel, North-West Line Elevators Association, Winnipeg, Manitoba*): Thank you, Mr. Chairman. You already have in your hands a copy of the association's brief, and at this time I would like to read to you a summary of the main brief.

Before reading the summary, Mr. Chairman, I should mention that the association is also appearing before the Senate Banking and Commerce committee this morning, and I hope the committee will not think we are amiss if two of our members leave at 11 o'clock. It is not that they do not wish to remain but the fact is they have to be elsewhere. I would ask that the committee accommodate us to that extent.

The North-West Line Elevators Association represents the investor owned section of the grain handling industry in western Canada.

The association appreciates the opportunity to present its views to your Committee on the problem involved in the proposed changes to the transportation laws of Canada, with particular reference to those which affect the farming and grain industry in western Canada.

The report of the MacPherson royal commission dealt specifically with two aspects of the problem of transportation of western Canadian grain to markets. The first was the policy that should be adopted by the federal government towards the abandonment of branch lines, and the second was the level of grain rates for the transportation of grain to export positions. In the considered opinion of the association, as expressed to the royal commission and now reiterated here, these are two of the most important of the problems that your committee as well as parliament will face in deciding on the shape of the new legislation. The association cannot over-emphasize this statement. If the importance of these two principles is overlooked when the legislation comes to be enacted, the effect on the farming economy of western Canada will be both immediate and serious.

The North-West Line Elevators Association appears before you in company with many other persons and groups representative of both grain interests of western Canada as well as the public at large in that area, to urge upon you most serious and careful consideration of the long range effect that legislation in respect of branch line abandonment and export grain rates can have if the correct decisions are not made when such legislation is being considered by you and by parliament.

It must be clearly understood that under prevailing conditions the country elevator is the mechanism whereby the farmer disposes of his annual grain crop for furtherance to its ultimate market, be that market domestic or export.

The country elevator must be located on a rail line to operate. If it is taken away the farmer has no means within his financial reach of turning his crop over to the buyer.

In extensive areas throughout the west abandonment of branch lines on the scale proposed by the railways will have the effect of reducing total country elevator capacity. This will involve increased distances over which the farmer will have to transport his grain to his delivery point—automatically increasing his costs of operation at a time when he can ill afford such increase in cost—and millions of dollars will have to be spent to provide new and enlarged country elevator facilities at remaining delivery points in order to handle the grain formerly delivered to elevators located on branch lines that have been torn up.

It must be recognized that at least some part of these costs will inevitably be reflected back to the grain producers.

As a solution to the problem of branch line abandonment the MacPherson commission recommended the establishment of a regulatory agency whose function would be to "rationalize" abandonment. This involved the segregation of branch lines into two broad categories, those that ought to go and those that in the public interest ought to remain. In the case of the first category the regulatory agency was to be charged with the duty of cushioning the impact of abandonment on affected communities by stretching out the period for which the line would remain in operation by a system of public support given to the railways during that period. In the second category, lines which in the public interest should remain, were to be removed as a charge on the general revenues of the railway company operating them, and the uneconomic portion of the cost of continued operation treated as a charge upon the general public for whose benefit the line was to be continued.

It is clear from statements made by the government at the time of its introduction, that Bill No. C-120, an act to amend the Railway Act, arose out of the recommendations of the MacPherson commission, and that more specifically the provisions in that bill relating to branch line abandonment were based on what the royal commission said about that problem.

In the view of the association the bill recognized the problem under discussion, but unfortunately did not contain the provisions which were necessary for its solution.

Our over-riding objection to the bill where it dealt with branch line abandonment has been expressed on many occasions before and we do not hesitate to state it again. The legislation should not allow the decision to abandon the branch line to be based solely on the profit or loss situation of the railway on the particular branch line in question.

The legislation provided for a branch lines rationalization authority, but the one power which it should have had to make its work effective was granted, not to it but to the board of transport commissioners. Under the bill the branch lines rationalization authority was to transmit to the board of transport commissioners all applications of the railways to abandon branch lines, and it was left to the transport board to determine whether the branch line in question is or is not economic.

In effect, the board of transport commissioners is told to consider the profit and loss situation of the railway relative to the particular branch line and upon its finding that line "uneconomic" approval for abandonment is automatically given. There is no provision which makes it incumbent upon the board of transport commissioners to hold open hearings so that interested parties may have the opportunity to examine the statements presented by the railway. Moreover, there is no provision which makes it incumbent on the board of transport commissioners to consider other factors such as the interests



of the public and more particularly the local people vitally affected by a particular abandonment application. Rather the board of transport commissioners is to examine the statements of the railway in closed session, and may or may not allow the railway to make further submissions.

In the opinion of the association, this procedure does not give full recognition to the rights of those concerned with an abandonment application, and is not suitable for the examination of costs, profits and losses, when far more than the immediate interests of the railways is in question. There is no provision in the bill requiring the transport board to listen to those immediately affected, or those representative of the wider public interest, and no requirement that the submissions of the railways be put to the strict test that can only be imposed when those opposed in interest have an opportunity to appear, to be heard and to put in their own evidence.

To allow branch lines to be abandoned simply on the basis of the profit and loss situation of the railways, is in our belief not agreeable to the people of western Canada. A balanced view must be taken of all of the consequences of rail abandonment before any line is allowed to go.

It is not good enough to leave to the board of transport commissioners the vital decision to abandon, solely on the basis of the profit or loss situation of the railway affected, and then to empower the newly constituted branch lines rationalization authority merely to fix the time by which the line is to be torn up.

The public interest, of which the railway's financial position is only a part, must govern in every decision to abandon, and in most cases the economic and social factors involved should overrule the railway's balance sheet.

Your committee is undoubtedly aware that over the past several years there have been many applications for branch line abandonment considered by the board of transport commissioners, and that in most cases the board has granted approval. This series of applications for abandonment has caused widespread concern, particularly in the prairie provinces, and has led to severe criticism of what has come to be called the railways' program of piecemeal branch line abandonment.

Any continuation of this case by case, or line by line approach to the overall problem, can only lead to results which are the direct opposite to what the MacPherson royal commission thought should be the function of the branch lines rationalization authority. The association is therefore strongly convinced that any legislation which lacks a clear direction to the regulatory authority to adopt a regional or area approach to the problem of branch line abandonment, is seriously deficient.

We are firmly of the belief that no rational solution to the problem of branch lines can be attained as long as each individual line is to be considered in isolation from all others. The line by line, piecemeal approach is far too restrictive and cannot provide a solution to a problem which is basically regional in character. One small area of a province or region cannot be separated and studied alone, without considering surrounding areas. In examining regional needs it may become clearly evident that the continued operation of the line in question is required for the welfare of the area affected.

The total needs of the region affected must form part of the circumstances, part of the environment under which the question of rail abandonment is to be considered; the existence of these needs may in many, if not most, cases prove to be the compelling reason why the line in question must remain. Regional needs must not be reduced, and it is not good enough to postpone consideration of regional needs until after the decision to abandon has been made.

When Bill No. C-120 was introduced into the House of Commons the association, with many others, welcomed the clear assurance given by the minister of transport when he stated to the house on September 14, 1964:

We consider, as every government has considered—at least for a generation—that one of the national interests of this country is to maintain the tremendous grain export business that has been one of the main sources of income for the Canadian people in the whole of the twentieth century. For that reason there is no thought and no intention of disturbing the Crows nest pass rates, and those other rates which are an extension of the Crows nest pass rates on grain.

But it must be recognized that in so stating the government is only speaking of the cost of transportation from the country elevator to export positions. While this is a vitally important element in the overall cost of grain transportation, it is by no means the only element nor the one of sole significance.

It must be understood that the cost of transportation to the farmer is made up of two elements:

1. The cost of haulage from farm to country elevator; and
2. The cost of rail freight from country elevator to terminal elevators and seaboard.

The present average length of haul from farm to country elevator under the existing branch line system is of the order of ten miles. On the basis of a number of authoritative studies the cost of local transportation from farm to country elevator by full farm truck loads, averages one-half cent per bushel mile; hauling charges are therefore in the neighborhood of five cents per bushel. Taking as an example the length of haul from Regina to the lakehead, which is 776 miles by rail, the cost of transportation per bushel is 12 cents. It will be seen that, although the distance involved in local haulage is comparatively small, the cost is significantly large in relation to the total transportation bill from farm to export position.

If, through abandonment of branch lines, producers had, on an average, to double their length of local haul thus increasing their total hauling charges from 17 cents to 22 cents, the effect would be equivalent to a 29 per cent increase in their former hauling charges.

We contend that it is not enough simply to maintain the statutory grain rates in order to ensure reasonably priced transportation to the producer. Statutory rates must of course be maintained at the present level, and what is of equal importance the place at which they take effect must be maintained at the same distance away from the combine or farm granary if the effective cost of transportation to the producer is to remain the same. It is no protection to the producer to keep the statutory grain rates unchanged while taking away his easy access to such rates when forcing him to increase his haulage costs significantly in order to obtain the statutory rates.

During the past two years western agriculture has again been brought into prominence by the sale of huge quantities of wheat to the Soviet Union and China. The importance of western agriculture to the Canadian economy is once more appreciated. Every agency or group involved in the export movement of wheat can be justifiably proud of the part it played in the successful conclusion of the delivery of such an enormous quantity of wheat. Little has been said concerning the important role played by our branch line system, which enabled the railways to gather and deliver the required volume of wheat. Not nearly enough attention has been given to the fact that present day trends in grain marketing emphasize effective export promotion and market expansion



by maintaining adequate reserves of all wheat to meet the needs of customers under all circumstances. To do this we must have the smooth movement of wheat off farms into country elevator facilities. The trend towards increasing grain production and sales on the one hand, and the need to maintain competitive grain prices in export markets on the other, emphasizes the need to maintain a high degree of efficiency in our grain gathering system. We do not question the fact that some adjustments will have to be made to reflect changing circumstances, but we do seriously question any development which substantially raises costs or which forces severe and undesirable adjustments in the present highly acceptable pattern of grain delivery and shipment.

The past two years have been favourable ones for western agriculture and railways shared in this prosperity. The Canadian Pacific Railway handled 18,000 more carloads of wheat in 1963 than in 1962, and we believe this movement of wheat made a contribution to the increased profits of the railway. We will not likely have such a large movement of grain in the crop year 1964-1965, but there are indications that in years ahead we could be favoured with increased crop yields which would have to be moved to market. The farmers of western Canada are increasing their production per acre by the extensive use of fertilizers and chemical weed killers. The most recent development in the research on the hybrid wheats indicates a breakthrough could occur in the next few years.

Should hybrid wheat become practical, and with further development in the use of fertilizers, it is conceivable a 700 million bushel wheat crop in western Canada will represent ordinary production. With world demand for foodstuffs almost beyond comprehension, it is conceivable that the railways in western Canada will be called upon to move more wheat to export position than in past years. Speaking at Winnipeg on February 24, Mr. Sharp, Minister of Trade and Commerce, predicted that in the present crop year and in the crop year following, there would be annual exports of 400 million bushels. Such development should improve the volume of traffic on many lines whose future seems in doubt at the present time.

We wish to conclude our submission by making recommendations to you concerning the principles which we believe must be incorporated in the proposed legislation if it is to be made workable, and if it is to serve the needs and requirements of those who will inevitably be affected by any branch line abandonments that are allowed to take place.

1. Of paramount importance is the principle that no branch line should be abandoned solely on the basis of the profit or loss situation of the railway in relation to the branch line under consideration. Everything that has been said in this submission—the piecemeal approach adopted by the railways, the effect on the farmer in terms of removal of his existing grain delivery points, the need for the widest possible public enquiry before abandonment is authorized, the effect of abandonment on towns, villages and rural municipalities located along the line, and the expressed policy of the government not to disturb the present level of transportation cost to the farmer—are all inherent in this proposition.

2. We believe that the branch lines rationalization authority should be the only agency to adjudicate on branch line abandonments. The authority should be clothed with the appropriate powers to hear and pass on applications for abandonment rather than the board of transport commissioners. Before this branch lines tribunal, cost figures, both to the railways and the people affected, could be examined and the total effect of the proposed rail abandonment considered. The decision on abandonment and, if granted, when abandonment is to take place, should be within the sole jurisdiction of the branch lines authority.



3. We consider it to be absolutely fundamental before any decision is reached, either on the question of the railways' profit or loss situation, or on whether to abandon any particular branch line, that public hearings be held at which all persons interested, including the railways, the farmers, the grain handling industry and the communities affected, have the unquestioned right to appear and be heard, to give evidence themselves and to subject the evidence of others to the kind of searching scrutiny without which no tribunal can reach a proper decision, having regard to the interests of all concerned. Furthermore, we consider it vital that when consideration is being given to any application for abandonment, the effect on farmers, owners of country elevators, and on towns, villages and rural municipalities, be made a matter of primary concern in reaching the decision.

We realize the difficulty of incorporating any such directive into legislation granting the powers and defining the duties of a tribunal such as the proposed branch line rationalization authority. However, we would recommend the expansion of the appellate powers of the governor-in-council now contained in the Railway Act to include the power to vacate any order for abandonment. We believe the governor-in-council should be able to strike out any abandonment order completely if circumstances so warrant such action, in the same way that the governor-in-council now has power to deal with any order of the board of transport commissioners which it does not consider to be in the public interest or in the interest of any person directly affected by such order.

4. The more powerful branch lines rationalization authority we advocate requires more than the three members proposed by Bill No. C-120. It is suggested that seven be appointed. By having an increased membership every section of our country could be represented. We also suggest that since the great majority of abandonment applications will be in western Canada, the headquarters of the authority be established in the west.

5. We urge that any legislation make it incumbent on the branch lines rationalization authority to consider branch line abandonment applications on a regional basis and not on a line by line, piecemeal basis. We firmly believe that an entire review of all transportation facilities over a particular area is required in the proper evaluation of one or more rail branch lines. We would also suggest that all lines being considered for abandonment within an area be looked at together, so that the total effect of the proposed abandonment may be taken into consideration. We think that the extent of the areas under such consideration should be left to the discretion of the authority.

6. The effect of widespread abandonment will be of concern to all owners of country elevators. When any country elevator is closed down by reason of abandonment its owner will undergo the loss of the facility as well as the earning power that facility now possesses.

In addition to the element of cost to the elevator owner just mentioned, there will be the requirement for new capital investment in another elevator on a continuing railway line whenever the owner considers it desirable to replace the capacity that has been lost. Adequate provision for relief should be provided to assist in bearing the heavy burden of the reconstruction of lost elevator capacity.

7. To safeguard the interests of those dependent upon or affected by any branch line, legislation should state that whenever an application to abandon has been heard and denied, no further application in respect of that line will be considered until after the expiration of a stated period of time. The association suggests that a period of ten years would be appropriate.

8. Finally, we urge that some restriction be placed upon the meaning of public interest, as that expression may be construed to be a factor in any branch line abandonment case. In its widest application the term may be held to be the same as the national interest, and that it is more in the national interest that a line be abandoned by reason of the profit or loss situation of the railway than that it be maintained even though maintenance of the line is a matter of compelling urgency when measured by the yardstick of the local economic interests directly affected. This suggestion is prompted by the fact that in past applications to the board of transport commissioners the railways have contended for such a wider interpretation of the expression "the public interest." Up to the present the board of transport commissioners has not adopted such an interpretation, but there is no guarantee that in the future such an argument might not find favour with the regulatory authority concerned.

All of which is respectfully submitted.

Mr. Chairman and members of the committee that constitutes the submission of the North West Line Elevators Association in summary. I was asked to be the initial spokesman for the delegation. If there are questions I hope the committee will permit any one or more of the members of the delegation to provide answers to these questions.

The CHAIRMAN: Mr. Jones, you might indicate which members will remain with us and introduce them again so that every member will know who he is addressing.

Mr. JONES: On my immediate right is Mr. G. H. Sellers, president of the Federal Grain and Alberta Pacific. On his right is Mr. Cecil Lamont, president of the North-West Line Elevators Association. On his right is Mr. George Heffelfinger, president of the National Grain Company Limited and on his right is Mr. R. H. Weir, secretary of the association. Mr. Lamont and Mr. Heffelfinger may have to leave as the hour of 11 approaches. Mr. Weir, Mr. Sellers and myself will remain throughout the session.

The CHAIRMAN: Thank you very much, Mr. Jones. Mr. Rapp.

Mr. RAPP: Mr. Chairman, I am very much impressed with the brief. I think it expresses the views of grain growers in the prairie provinces. There is one question I would like to ask and no mention was made of this. What will happen to the grain elevators when the line is removed or abandoned? Will these grain elevators still accept grain, although under the present legislation, any elevator that is off-track or not on the track, is not in a position or is not allowed to accept grain? What is the stand of your association on this question.

Mr. G. H. SELLERS (*President, Federal Grain Company Limited*): Mr. Chairman, may I answer this?

The CHAIRMAN: Yes.

Mr. SELLERS: This divides itself into two parts. In the first place under the current regulations an elevator cannot be granted a licence to operate by the board of grain commissioners and take in grain if it is not on rail. So under current conditions the elevator is out of business. Secondly, assuming that those regulations could be changed, although they are there for a good and sufficient reason, the Canadian wheat board during the war paid storage on grain that was housed in curling clubs and in various other places and found that it was inexpedient and undesirable, and they have technical reasons for this change. However, there would be another factor and this is one of economics. In most cases the unloading and transshipment by truck to a further elevator would make a double handling and increase the cost. Then probably in a great number of cases it would be uneconomical, even if you could get a licence which you cannot.



Now on occasion some companies have actually moved country elevators a considerable distance. The only trouble is that if every elevator along a branch line was moved to the nearest point, you would have over building and over capacity at a point and duplication and it would not be where it should be.

In the case of the older elevators it is impractical and impossible to move them. Therefore, unlike the man who may run a filling station and sell more gasoline there, or a hotel keeper who may or may not suffer by not having people come into his hotel, the elevator operator at that point is effectively put out of business and he has an asset that is only worth its salvage value and, due to the method of construction of these buildings, this salvage value is worth very little, when you wreck them.

The CHAIRMAN: Mr. Horner, you are next.

Mr. HORNER (*Acadia*): Yes, along with Mr. Rapp, I agree that the submission is a very good one. You state on page 7 that you are very pleased to see the minister's statement concerning the Crowsnest pass rates. Yet on the first page—and I think you imply throughout your brief that Bill No. C-120 deals to a large extent with the branch line abandonment and the low level of grain rates. Would these two matters combined practically destroy the old Crowsnest pass rates or the effect of the Crowsnest pass rates as we understand them in the west?

Mr. R. H. WEIR (*Secretary, The North West Line Elevators Association*): I believe, sir, to have the effect of the Crowsnest pass rates that the government desires to have and is reflected in this statement of the Minister of Transport, the effect of these rates would have to be on the same position as they are now with regard to the farmer. That is, if the farmer were required to haul 10 or 12 extra miles it would be an added burden to him, a considerable added burden, and he would not gain the benefit that he has now.

The Crowsnest pass rates cannot be taken in a vacuum. To gain the effect of those rates the distance that the farmer has to haul must be considered.

Mr. RAPP: In a sense the cost is going to be greater to the farmer.

Mr. WEIR: Yes.

Mr. RAPP: Therefore, the effect of the Crowsnest pass rates will diminish when his costs go up on moving grain.

Mr. WEIR: Yes, that is correct.

Mr. RAPP: There is one other subject that I would like to deal with which you did not touch upon too greatly. What effect will branch line abandonment have on the storage position of western grain? This has been a very keen factor in the last few years in the selling of wheat when we were fortunate to have it in storage.

Mr. SELLERS: First of all, I do not think that it would be reasonable to say that we have too much storage capacity in Canada at the present time because there are millions of bushels even today and at some periods whole crops have been stored on the farm. Now that means that if all the lines are abandoned that are currently under consideration, and the C.P.R. may or may not intend to abandon more than currently have been brought up, it would mean we would be abandoning—incidentally, over 90 per cent of all abandonments will be in western Canada—more than 20 per cent of all the points in western Canada.

Now, in my company alone we have something over 750 elevators. We could lose upward to 150 or more. To replace that storage, which would not necessarily be at the nearest point where there was a rail,—that might not be the expedient place to do it. Last fall we built the furthest north elevator in the world at a place called Hight Level, 170 miles north of Grimshaw which is north of the Peace river. This is incidentally north of Churchill.



There is an expanding farming community up there and while there are too many elevators at points to the south, there are other points where logically new elevators are required. So the capacity in some places or another, in order to permit the wheat board to make extensive sales when possible, should be provided in our opinion and that is in the interest of the farmer. Now I do not know whether I am answering this question in a proper manner but here are the figures. In Manitoba, Saskatchewan and Alberta the C.P.R. have currently 23 applications covering 630 miles. The C.N.R. have 89 covering 3,612 miles, 2,981, or a total of 3,601 as it stands. The number of elevators affected in the three prairie provinces is a total of 891, with a total capacity of 56,714,000 bushels, out of approximately 5,000 country elevators with a capacity of 300,000,000. These are the figures: 56,700,000 bushels of capacity would be lost.

Mr. HORNER (*Acadia*): With further regard to the storage question, following the Bracken commission, have the storage facilities not played a great part in the matter of the allocation of box cars to the movement of grain as a whole?

Mr. SELLERS: Yes, that is true.

Mr. HORNER (*Acadia*): And to quite a large extent storage has played a great part in the gathering of customers or maintaining customers?

Mr. SELLERS: Yes, that is true.

Mr. HORNER (*Acadia*): Therefore, this whole question of line abandonment comes right back to the farmer, concerning his choice of delivery and what particular company he wants to deal with. The whole thing hinges and ties in together.

Mr. SELLERS: Yes, that is true too.

Mr. HORNER (*Acadia*): I have one further question on this line of abandonment and movement of grain. You are probably well aware of Mr. Gordon's speech on grain movement which he made in 1962 where he said:

Today on a thin density branch line—that is to say, a line that carries almost entirely grain and where the total volume originated is about 1,000 cars for a 60 to 70 mile line over the course of a year—it can cost the railway 10 to 15 cents or more per ton mile to carry grain to the main line, whereas truck costs for the same movement are in the range of 4 to 8 cents per ton mile—or only half the cost.

He goes on to say how much it would cost the railway to move this amount of grain.

He maintains that this same amount of grain could be moved by trucks the same distance for less than one half. Do you agree with this statement?

Mr. SELLERS: I very flatly disagree with it. I think his facts and figures are wrong.

Mr. FISHER: That is sacrilege.

Mr. HORNER (*Acadia*): I shall forgo any further questions.

The CHAIRMAN: Now, Mr. Muir.

Mr. MUIR (*Lisgar*): I agree that this has been a very comprehensive brief and that you have stated a number of things which are of concern not only to the farmers but also to western Canada as a whole. I am inclined to agree, although the Minister of Transport gave us the assurance that we have had over the years that the Crowsnest Pass agreement would be honoured, that we are largely going to lose this by reason of increased transportation costs to the farmer to his point of delivery.

I have some questions on storage and your attitude towards it which I would like to have cleared up. One is this: in the case of abandonment where you have to close down smaller elevators—and this is going to happen all over the place—would it be to the advantage of the grain company to build larger central storage? What would you consider to be the most economical way to handle grain, after abandonment is made?

Mr. SELLERS: Well, the greatest problem that faces us today, and I think every elevator company, is that it is impossible to plan with unknown factors and piecemeal abandonment. We clearly agree that there are a number of duplicating types of branch lines, and that it is in the interest of all to abandon them. We do not say flatly that you ought not to abandon any line and that we think it wrong, but we believe we ought to have a policy designed on an over-all basis and in the public interest.

We are also doing what you suggest as far as we are able to determine key delivery points. We are building larger elevators. There is, however, a limit to where efficiency stops and the correct size to build them begins. But at that point, which appears to be the key point, this is happening today.

Mr. MUIR (*Lisgar*): Would you not agree that this type of operation will largely destroy the delivery of grain as we now know it at harvest time? I am thinking of where the farmer may under present conditions draw small loads from the field to the elevator, and I am thinking of conditions where, if a line is to be abandoned, it would be necessary for him to build storage and keep his grain at home until after the harvest.

Mr. SELLERS: Well, that is a hard question to answer. Grain can be hauled and trucked a long way. We built an elevator at High Level and the farmers were hauling almost 150 miles by truck to the nearest elevator at Manning. Incidentally, Mr. Heffelfinger has elevators at these places, too. After a great deal of study we came back to our view that we were bound to get the grain at Manning anyhow and that it was not necessary in the farmers' interest to have to haul the grain that far.

In some cases what you say is correct, that better highways lead farmers to skip certain delivery points. But that is not always true. This is part of the general study of what is the economic effect of given lines. In other words, you cannot answer it with a yes or a no. It depends upon the exact location. We may confine ourselves to a number of delivery points.

Mr. MUIR (*Lisgar*): I am trying to look at this from the standpoint of the farmer. It is true of course that his grain can be delivered to a central point by using trucks. The point is that in the meantime while trucking it, while taking his grain to the elevator, he has to keep it and store it.

Mr. SELLERS: This all adds to the farmer's cost. While I am not an experienced farmer, I do have a farm some distance outside of Winnipeg, and I could haul my grain to a Winnipeg elevator. But if during threshing we could haul it to a nearer elevator, with the labour and time considered, I would haul my grain to the nearer elevator rather than straight into Winnipeg.

Mr. MUIR (*Lisgar*): What would you consider the appropriate transition period when a line has been authorized for abandonment in which to adjust your affairs in regard to the elevators that you are losing on a line? How long would you like to have before you had to abandon the elevator itself, or tear it down?

Mr. SELLERS: Well, in order to invest new money designed to be in the best interest of the producer—after all, if it is not in the interest of the producer and the economy of the country, it is not going to be a money maker for an investor at all—we have to know more than about a single branch line.



We would like to know what series is going to be abandoned in order to be able to develop the need. But generally speaking I would think that the industry at large would feel that about five years would be ample time to plan, and move, and take action.

Mr. MUIR (*Lisgar*): You are basing this assumption on the fact of it being a regional affair rather than a piecemeal abandonment.

Mr. G. W. P. HEFFELFINGER (*President, National Grain Company Limited*): Yes, we think this is very important. It does not do us much good, and the time factor is not important if we are just dealing with one branch line. Consider, for example, the southeastern corner of Saskatchewan as a whole area. If abandonment is planned, I think, within even a five year period, we would be able to make adjustments or a transition to the new marketing pattern which would develop.

Mr. MUIR (*Lisgar*): Whereas if single branch lines are taken out piece by piece, it would leave your affairs in a difficult situation.

Mr. HEFFELFINGER: About four or five years ago the western Reston-Wolseley line was abandoned and we lost two or three elevators. In order to adjust to this we built a brand new elevator at Kipling where we invested something in excess of \$100,000. It provided an increase in storage. But we were extremely surprised last year when the Canadian National Railways said that they planned to abandon the line where Kipling was located. This piecemeal type of abandonment is just wasting money for us.

Mr. MUIR (*Lisgar*): You would certainly hesitate.

Mr. HEFFELFINGER: Yes, I think so. We would just be putting good money after bad.

Mr. MUIR (*Lisgar*): Whose statistics are going to be used to ascertain whether a line is profitable or not? Is it going to be those of the railway? It seems to me that there was a clash between the statistics used by the province of Manitoba and those of the Canadian Pacific Railway before the commission. There was quite a difference.

Mr. R. H. WEIR (*Secretary-Treasurer, Northwest Line Elevators Association*): Yes, I believe the costing of rail services is a very difficult art. In this present bill we were alarmed to see that the railways had the right to put in their figures and were not to be cross-examined on those figures. We believe that if figures are going to be arrived at, they must be arrived at by means of cross-examination. This is indicated by what happened in the hearings before the MacPherson commission. I believe this matter was covered on Thursday, March 2, when Mr. Cope was briefing the members here. The cost would be arrived at properly by the railways presenting their figures and standing the scrutiny of examination by interested parties, and also by the board of transport commissioners. Just to accept the railway cost figures I think would be an incorrect procedure.

Mr. MUIR (*Lisgar*): I have one final question. I would like to ask one of the gentlemen if he thinks that under either plan, where there would be considerable abandonment of branch lines, we could have handled this huge export problem that we had with China and Russia if we did not have the present system, and the present number of local elevators to bring the grain in? Do you think it could have been possible to have done it as efficiently had we not had these branch lines?

Mr. HEFFELFINGER: The year in question was an exceptional one. I can certainly say it would not have been possible if 56 million bushels of space had disappeared. I think it was very difficult to handle the amount that we did handle in that particular year, and the disappearance of line storage space in that year would have been detrimental to that movement.



Mr. PRITTIE: We have been talking about the regional approach to abandonment. I am looking at notes that I made a week ago, in connection with whether we would be doing it on an area basis or on a regional basis, and not on a single line basis.

Mr. WEIR: I believe Mr. Cope said it was implied that they would like to see it directly written into the bill that a line was up for abandonment rather than to wait until the branch line rationalization authority was considering if the line should be abandoned.

Mr. PRITTIE: Thank you.

The CHAIRMAN: Now, Mr. Muir.

Mr. SELLERS: I come back to the question you asked Mr. Muir concerning the wheat board. Mr. Sharp on a number of occasions has said that they could have sold more wheat in the particular year in question but they were afraid to do it, and were worried about trying to market all that they did sell. So I think this clearly indicates that they felt that they were straining the resources of the industry to the utmost limit.

Mr. MUIR (*Lisgar*): Do you think you would be any more efficient as a group of grain companies if you were more centralized, even though it might cost the farmer more?

Mr. SELLERS: There are two aspects: one is that it would be more desirable, if we lose 56 million bushels of capacity, that it be replaced but not necessarily in the same place. There again that is the question which is very hard to answer when the cost of replacing that storage capacity would amount to somewhere between \$56 million and \$75 million, depending on how it was done.

Mr. MUIR (*Lisgar*): One of these gentlemen mentioned that he thought that five years would be the minimum appropriate transition period when you could make other arrangements. What about the outside parties, the municipalities and the provinces, when there is no doubt that lines are going to be abandoned? Roads are going to have to be built, and roads cost money. And in the case of a municipality they cannot build any great number of roads in any one particular year. Therefore, for the sake of the municipalities even a five year period of abandonment would not be inappropriate.

Mr. SELLERS: The intent of our brief was not really a selfish one. The intent was to put forward the views of the producers and of at least 50 per cent of the producers in western Canada, who come under the elevators owned by this association. We are attempting to put forward their views and our own in a single manner. And when the number of years came up, naturally the longer you have, the better it is. But there are two sides to each question even though it may be a matter of getting on with the job.

Mr. Cecil Lamont (President of the North-West Line Elevators Association, Winnipeg, Manitoba): I think there is no doubt that by the time local councils get their appropriations through, with truck lines and roads built, you would need a five year period.

Mr. MUIR (*Lisgar*): I think you would need five years.

The CHAIRMAN: Now, Mr. Southam.

Mr. SOUTHAM: I wish to congratulate the North-West Line Elevators Association for their very comprehensive brief. I think it puts forward points of weakness in the final terms of Bill No. C-120 very well. It focuses our attention, and that of the government, on appropriate amendments. My question is going to be based on one already raised by Mr. Muir, which I think went to the crux of the whole problem. When we do get the rationalization principle fully established—and I think this is the important aspect to this whole bill—they

have it not only in name but also the authority to set it up and to look at this rationalization problem and to eliminate what to us is the greatest concern, that is, piecemeal abandonment. When they are looking at it, how are they going to arrive at the proper cost price formula? I think Mr. Muir hit on a very salient matter when Mr. Cope was here.

When this subject was brought out before the MacPherson commission there was wide variance of opinion by officials and the commissioners about what was a proper cost accounting system and whether they should accept the railway cost accounting. They referred to another independent accounting firm in the United States, whose figures were wholly at variance with the original cost formula, and their figures again were not in agreement and did not satisfy everybody concerned. Then at some time or other a third group seemed to come up with something which was acceptable to both points of view. I think this is something which has to be written into this bill. I think there should be some formula in the bill which would set out the terms of this cost accounting principle, and something on which everybody could agree. You have not mentioned it specifically in your brief, but I think it was a point well taken by Mr. Muir, and is one which is of as much importance as any other point. What is your opinion on this?

Mr. LAMONT: Mr. Chairman, in that respect we suggest an open inquiry. We quite agree with you that railway cost accounting terms are rather mysterious, even to cost accountants. When the MacPherson commission was sitting the wheat pool organization engaged special accountants from the United States and so on, and my recollection is they could not agree with the railway accountants on costing. It is for that reason we suggest the open type, where the figures presented by the railroads can be examined. Now, the people opposing abandonments would have to use the best method to ascertain whether or not they represent the facts as others might see them.

Mr. SELLERS: We believe we can look forward to larger crops over the next few years than was the case a number of years ago, and that some of the charts and yardsticks, even for the last two or three years, might change quite significantly.

Mr. SOUTHAM: Mr. Chairman, I was very interested in Mr. Heffelfinger's statement about the elevator being built at Kipling, Saskatchewan. As you know, I come from the southeast of Saskatchewan. The Reston-Wolseley Line was the first experiment we had in railway abandonment. I took strong objection to the abandonment of that line at the time because this happened prior to the MacPherson royal commission bringing in the report. I was very surprised and, indeed, very much alarmed to hear of the Canadian National Railways' application to remove that line. In my opinion, this points out very emphatically the need for a rationalization principle in this bill. It should be looked at from an overall point of view, a large regional area rather than a local area, so far as abandonment is concerned. I was very interested in hearing the comments on the question of costing; I think this is going to be one of the areas where the greatest arguments will develop, when the authority is set up under the new legislation. As I said, I was very interested in hearing your remarks.

The CHAIRMAN: Have you a question, Mr. Rapp?

Mr. RAPP: Mr. Chairman, one point that was made very clear to the committee is if railway abandonment is going to take place, as it is in Bill No. C-120, many of the storage facilities we have in the prairies will disappear. There is no question but that the grain companies will have to build some of these facilities to store the grain. But, I think there is a great need at the present time for the government to give consideration to the building of some of these storage terminals on the prairies. In the past there was not too

much use made of this but I think the time is ripe now for the government to give consideration to the building of storage terminals on the prairies. I have advocated this for some time. This matter has to be given serious consideration. If these line abandonments do go through, and I think they eventually will, the farmers will be left in a very difficult situation; they will have to haul their grain fifty or sixty miles to the next elevator. Because of the difficult snow conditions in the winter time it is imperative that these storage terminals be built by the government. Also, I think the companies have to take these facts into consideration and provide their own storage facilities.

Mr. LAMONT: Mr. Chairman, in respect of Mr. Rapp's proposal for building an interior terminal in his particular locality, may I say that we have found that these terminals have been most uneconomical. It has been established that the cheapest method of providing storage is the type of elevator which exists at the present time. We are getting into the larger type of elevator, which is of wooden construction; but, once you get into these very costly concrete interior terminals not only are they operated at a very substantial loss because, after all, somebody is going to have to pay for them, but, they are very costly to operate, particularly on account of the transshipments involved. Unless the government wants to pour a lot of money into an uneconomical system I would think these should be avoided.

Mr. RAPP: I am sorry but I cannot agree with you.

Mr. LAMONT: I was afraid you would not.

Mr. PASCOE: Mr. Chairman, may I say that the brief presented was a very interesting one. The arguments presented in the brief are along the same lines as the arguments I hear from time to time out west. I think the government will have to recognize these arguments in the new bill.

Mr. Sellers has answered to a large extent the question I wanted to put.

I believe there are thirteen elevator companies represented by the North-West Line Elevators Association. At least, that is the number in the brief.

Mr. LAMONT: I hope that is not unlucky.

Mr. PASCOE: I believe that Mr. Sellers mentioned that about 50 per cent of the grain is handled by this association.

Mr. LAMONT: Mr. Chairman, just under 50 per cent of the elevators are owned by the particular companies of the association.

Mr. PASCOE: I believe you said there were 5,000 elevators with a total capacity of 300 million bushels.

Mr. LAMONT: Yes.

Mr. PASCOE: What capacity would your association have?

Mr. LAMONT: Our capacity would be roughly over 40 per cent.

Mr. PASCOE: Forty per cent of that figure.

Mr. LAMONT: Yes.

Mr. PASCOE: Mr. Sellers, it is also stated in this brief that you are putting forward the views of producers, meaning the customers, of course, using your facilities. Could you tell me how these views were obtained? Did you obtain them from meetings or from casual comments being made?

Mr. SELLERS: These comments would be passed on to us. Our agents are in contact with the farmers every day. They report daily to their head offices and, in that way, we obtain the views of the farmer.

Mr. PASCOE: So, you could say that the views expressed in the brief are pretty well the views of your customers?

Mr. SELLERS: Yes.



Mr. PASCOE: Mr. Chairman, I want to establish one more point, namely, the need for branch lines and the use of the railroads in working with country elevators. Could you tell us the amount of turnover in country elevators during the year? I am trying to establish whether or not you use a lot more than your total elevator capacity in one year.

Mr. HEFFELFINGER: It would vary widely from elevator to elevator. If my memory serves me correctly, the turnover was approximately twice in respect of the elevator which our company operates.

Mr. PASCOE: So, the movement of trains on branch lines does facilitate the delivery to a large extent from the farms.

Mr. HEFFELFINGER: Yes. If I may, I would like to comment on the question you put a moment ago. In respect of the sensitivity of the investor-owned end of the business and the wishes of the customer, larger operating units probably would be more acceptable to us because it would be cheaper for us to operate a large elevator rather than a great many small elevators such as we operate today. But, we do not feel it is the wish of the producer to drive 25, 30 or 50 miles to his marketing point and then to have to deal with a more impersonal larger unit.

Mr. Sellers commented on the fact that several of us have built elevators at High Level during the past year. This business was being adequately served at Manning, Alberta, but because the producers did not want to drive 50 or 100 miles to Manning we were sensitive to this fact and, with a view to the future we built elevators at High Level, Alberta. It will be uneconomical for us to operate at High Level until business develops but, the producers asked for this, so we built them. Very often we do these things because of sensitivity to the producers' requirements.

Mr. PASCOE: Well, I agree with that part of it.

Mr. MUIR (*Lisgar*): In respect of most local elevators I believe they turn over anywhere from two times, as you say, to six times. Quite often, an elevator with a capacity of 50,000 bushels will handle up to 400,000 bushels.

Mr. HEFFELFINGER: Yes, this is true. I was taking what I remembered to be our total licensed capacity, which is a theoretical maximum.

Mr. MUIR (*Lisgar*): Are you taking into consideration your terminal?

Mr. HEFFELFINGER: I am talking about just the country elevators.

Mr. SELLERS: Mr. Chairman, I was going to comment on the difficulty in that regard because it is not the same every year. When sales have been poor and the terminals have become plugged, as well as the country elevators, the turnover will depend on the ability of the terminals to take the grain from the country. Now, we do have single elevators, which have a capacity of about 150,000 bushels, which handled over 450,000 bushels last year. Of course, the ideal situation is that the grain be stored at terminal elevators at the lakehead or at the Pacific coast, and that the smaller elevators have a fast and ready turnover at the country point. In order to provide service for our customers we have to provide more country storage than some surveys have shown would be the cheapest if you can get box cars and shipping orders as often as you require them you then would be able to have a very constant turnover. But, you cannot do that.

Mr. LAMONT: In respect of these figures, the dominion bureau of statistics put out figures showing the total country elevator receipts for the last crop year and, to the best of my recollection, it was around 750 million bushels, and with country elevator capacity slightly over 300 million that bears out the fact that the turnover is slightly over two and a half times. There was a very heavy movement last year.

Mr. PASCOE: Mr. Chairman, I think that emphasizes the importance of box cars and shipping orders, and the fact that branch lines can keep the country elevators moving.

I have a further question I would like to put to Mr. Lamont in respect of interior terminal elevators. We have a very large one at Moose Jaw, which is not being utilized to a very great extent at the present time. Do you see any future for an elevator of that nature on the main line?

Mr. LAMONT: Immediately I think of all the years which that elevator has been empty. I would not want to invest any money in such an elevator.

Mr. PASCOE: Perhaps we might be able to sell you one.

Mr. LAMONT: I do not think you could give it away.

The CHAIRMAN: Would you proceed now, Mr. Watson.

Mr. WATSON (Assiniboia): Mr. Chairman, I would like to commend these gentlemen on their excellent brief. I think it has covered the general grain picture very well.

I am very much concerned with rail line abandonments. I have looked at a map of my own riding and I have been thinking in terms of one particular point, Radville. I have noted the lines which are to be abandoned within this particular area. It appears to be a spider web. I have worked out some figures in respect of this particular riding and, according to my calculations, 77 elevators are to be abandoned if this branch line legislation goes through. This would involve over 6 million bushels of storage space. Out of a total of 891 elevators in the three western provinces there would be 547 involved in the province of Saskatchewan alone. This is a very great number. The burden that would be placed upon the farmers is absolutely intolerable. In my opinion, we are putting too much emphasis on abandonments. I think we have to take the attitude that there can be no abandonments, absolutely no abandonments, with the exception of one line that runs west of Saskatoon, where another line runs parallel to it. Perhaps there could be some arrangement in cases like this between the railways and the board of transport commissioners. There has to be co-operation in these matters.

I would like to ask these gentlemen how they view the development of the trucking industry within the next few years as it pertains to the railways. Over the week end I noticed that the Manitoba Truckers Association allowed for five big trucking companies to join their association. I was appalled when I looked at the names of these companies and the type of trucks involved because, when I travel west, these are the trucks that I see on the road. Up until now I possibly was ignorant of the situation; I thought they were private companies. However, I am beginning to realize that these are owned by the railways. What are we going to do, if, after all the lines are abandoned, they end up owning all the trucks on the highway. The railways are going to be the dictators of transportation in Canada and, in that way, the people using these facilities will have no say whatsoever in them.

I would like your opinion as to what could happen if the attitude was taken that the railways should control not only the rail lines, deliveries, the grain handling business, but also, the trucking facilities which takes in everything.

Mr. LAMONT: That is why we have to come to you for protection.

Mr. SELLERS: First of all, on a per bushel basis the big giant, the suitably designed truck, is cheaper per bushel than a smaller truck. Again, one of the best examples is this case of High Level. Farmers were having to haul their grain by truck some 150 miles and it was costing them something like 30 or 40 cents a bushel to do so; and it was unsatisfactory for them to make up the truck loads. They were not able to follow through themselves and check the



grading and handling, and in response to very strong wishes on the part of our customers we wound up by building there. It just means that if municipalities pay for an extensive network of all weather roads, and large trucks are used, there is going to be a broadened expense to the municipality; there is going to be an increased cost to the producer, and it is not necessarily going to react as a saving to the country as a whole. Again I come back to the spirit of the brief, that lines that are not in the public interest and are losing money merit consideration for abandonment. No one wants to throw away money unnecessarily. They have to be studied as a whole and not on a piecemeal basis to make economic sense and to permit further planning for not only private interests but the public interest, for farmer-owned companies and all people concerned. We felt that this might be a disastrous effect of the bill as it was previously presented.

Mr. WATSON (*Assiniboia*): I have another question. Is there a possibility that other interests would have more influence on railways than the grain trade. I am coming back to my own locality again where I understand our particular town is not up for abandonment. I do not think we handle any more grain than the branch lines running out of this junction. But, there are two clay plants which do ship a lot of clay out. Could it be that these clay product companies have enough influence on the railways that there would be a decision not to put our line up for abandonment?

Mr. SELLERS: Honestly I do not run the railways but if they are good customers I think it would behoove them to discuss this matter with the railways.

Mr. WATSON (*Assiniboia*): In my view they are not that good a customer. It would be a lot easier for the clay companies to load their products on a truck and move them 40 miles to Moose Jaw than it would be to move grain because there would be 10 times as many truck loads of grain going out as there would be of bricks.

Mr. HEFFELFINGER: I am getting a little out of my field perhaps but it would appear to me that the greatest interest shown at this time on the part of the railways is the recent development of the potash industry in Saskatchewan. I believe the railways find this very attractive and are even contemplating some spur lines to serve that particular industry. It seems to me that I read this someplace. Here and there there are undoubtedly other industries which are attracted by the facilities provided by the railways.

The CHAIRMAN: Do you have a question, Mr. Fisher?

Mr. FISHER: I am not in a position to congratulate these gentlemen since I cannot really appreciate some of the points because I am not a prairie member. But, I have a strong suspicion that in the part of your brief dealing with export grain rates you either have not faced up to the bill or you are being extremely cautious. I would like to ask you some questions relating to that.

It seems to me that the new sections, 328 and 329, in effect do dynamite the Crowsnest pass rates. They set up an alternative by which, for example, the C.N.R. and C.P.R. respectively receive a \$9 million and \$7 million subsidy and there is an additional subsidy relating to their variable costs. I am somewhat surprised that your organization has been so general. If you look at your page 7 on export grain rates and follow through to your recommendations, there is very little that is specific, particularly in relation to these sections. One of the things that happens when you are dealing with complicated legislation like this is that you very quickly move from generalities into specifics. I suggest to you that your brief is really of no great assistance to us in facing up to sections 328 and 329. I am rather bothered by this. I just hope that the wheat pools and the other organizations will not be so lacking in specifics with



regard to this. This is my opinion, Mr. Chairman. I do not know whether or not you would like to comment on this before I put direct questions.

Mr. LAMONT: I am not sure what you expect us to say at this stage.

Mr. FISHER: Well, in answer to a question by Mr. Horner you said that there is something rather basic with regard to the Crowsnest pass rates, in respect of these sections. You drag in the minister's assurance, the kind that politicians have been giving for generations. I put it to you that sections 328 and 329, in effect, sidestep or loop around, if you like, the Crowsnest pass rates and, in effect, are likely to put that whole relationship on an entirely new basis.

Mr. SELLERS: We can get very complicated when we look at subsidies, whether the railways need them, and what they do with them. This is on a slightly different point but, admittedly, the government is giving large sums to the railways, dedicated apparently to helping them with financial difficulties in respect of grain. Now it happens that I am interested in an air company called Trans Air and it seems a criminal thing that Mr. Gordon uses his subsidy to carry passengers at less than half the cost that they should be paying, thereby using the subsidy to drive an honest little air company out of business. So I would parry your question on the standpoint of your needs, how you use it, how you get the figures, and how you do not.

Mr. FISHER: This raises another question. For example, when we come to this matter in the next session, can we depend on anything more specific from you with regard to the sections on the grain rates and the subsidies?

Mr. LAMONT: We would like to see the bill before we comment, and it is not before us.

Mr. FISHER: I will not go any further. I just feel that you have kept somewhat detached in respect of your section on export grain rates.

Mr. LAMONT: We want to see the farmers enjoy the benefits of the Crowsnest pass rates and we also recognize that the railways have to meet certain costs because they are compelled by the government to meet those costs. But, some recognition must be taken of the railway situation.

Mr. FISHER: May I ask some questions about your organizations and the members of it? Is it right that most of these organizations are established in Fort William and Port Arthur?

Mr. LAMONT: Yes.

Mr. FISHER: This is the organization that deals, for example, with the union of grain handlers, which is known as the Brotherhood of Railway and Steamship Clerks.

Mr. LAMONT: Yes.

Mr. FISHER: I have seen some of the material that the union has prepared over the years in the course of its negotiations, showing the companies' financial stability and profit picture. I gather that in the main most of these companies that belong to the North-West Line Elevators Association are in a relatively good profit position.

Mr. SELLERS: Well, I would put it this way, that the unions are equally concerned with the wheat pools and the farmer companies and I would say that they, according to the published figures, are not exactly going broke.

Mr. LAMONT: I may say that our profits are nothing like some of the other public utilities where there is a recognized 6 per cent profit. In our net worth position our profit would be much less than any other utility company.

Mr. FISHER: You would not be like Bell, shooting for a 7 per cent figure?

Mr. LAMONT: No. We would be happy with anything like that, but we are not near that figure.

Mr. FISHER: I raise this because the shock effect of the abandonment, if it is carried out, for example, on the scale that the railways have applied, would be considerable, and questions will come up about the kind of remuneration received and the kind of protection provided. Recommendation No. 6 says: "In addition to the element of cost to the elevator owner just mentioned, there will be the requirement for new capital investment in another elevator on a continuing railway line whenever the owner considers it desirable to replace the capacity that has been lost. Adequate provision for relief should be provided," and so on. In other words, you are thinking in these terms, and here you get into a very difficult area where you have a private organization which is injured or suffers damages or requires some kind of adjustment as a result of public intervention or government activity. How do you arrive fairly at the kind of relief to be given? It seems to me that some of this might be more specific than it is in the bill. I just wondered if you had any suggestions as to the kind of relief you would like and how this would relate to your financial and profit position?

Mr. LAMONT: Well, in the first place, mention was made of the fact that there was \$75 million involved in properties, and I would doubt that the companies including the pools of the United Grain Growers Association, would have \$75 million of working capital between them, which is a requirement. It would be most difficult to go out and sell bonds in the face of these problems. So unless there is some form of compensation, the farmers would be called upon to accept a much less efficient grain handling system.

Mr. FISHER: What suggestions have you?

Mr. LAMONT: Well, until we see the extent of the abandonment we cannot indicate yet a plan of compensation. That is something which I think would have to be worked out with the government as to how it could possibly be handled.

Mr. FISHER: Well, the question that occurs to me is that when you come to apply a general solution of relief—I assume that not all the members of your association are on all fours in terms of financial position and so on—it is a question of how you deal with the organizations that have to be strengthened in terms of relief.

Mr. LAMONT: Some of the very smaller companies might be in a position where they would lose maybe 50 per cent of their smaller elevators and be in a completely impossible situation. Others might be stronger but they would all lose a very substantial proportion of their assets, including the farmer owned companies, the wheat pool and the United Grain Growers Association.

Mr. FISHER: Have you any general suggestion as to how to meet this relief problem?

Mr. LAMONT: There have been discussions and it may be possible through a form of tax relief. When you get down to a form of tax relief the smaller company might lose half of its facilities.

Mr. SELLERS: I might say also, if I may interrupt, that co-ops pay no taxes, whereas we support the government very heavily. Tax relief would not do them very much good because they do not have to bother paying taxes. The difficulty really is to state how this might be handled. We do not know the scope of the period of time over which it will occur because the means of handling it from the point of view of the authority in the government would be easier if it were over a planned time period than if you used an axe. We thought that someone might ask us this question. It was impossible to set down a formula but if the committee would like at a later date, we will come back with some specific ideas. I think this is a question that we cannot very well answer today.



Mr. FISHER: I appreciate this. One of the questions that comes to my mind is that you have a branch line authority which, in the terms of your argument, you want to see given more authority than is envisaged under the bill. It seems to me that a solution to be advanced would be perhaps an agency that would form a kind of relief or the extent of the relief. It occurs to me that we should be going a little further and consider giving it an even greater function, and I would be interested in your comments on that.

Mr. SELLERS: Well, being quite simple about it, some feel that the railways require some form of compensation of relief today for carrying on economically. We would find ourselves in a singular position because of the fact that we cannot get a licence. I think I answered that question before. We would feel that there should be some reasonable form of fair arbitration, perhaps designed in a combination of tax relief and or something else. The only reason that I think Mr. Lamont swung over to the tax relief is that there was some form of it permitted some years ago.

It, however, was and is restrictive. It all depends. If my memory is right, you can get accelerated depreciation to replace an abandoned line elevator in that exact or nearest spot. If anyone along that line came and built an elevator at the nearest place, it would create waste and extravagance, whereas an abandoned elevator should be put where economically it is going to do the most good. It may be a question of locating an elevator at a key place and design to operate more economically and give better service, if possible.

Mr. FISHER: You make comment about the fact of appearing before the board of transport commissioners. That is a later proposal, sort of a final decision. That would leave the railways in the position of secrecy. That is, it would be impossible really to get at their figures. One of the arguments we always encounter is the hesitancy of the railway companies, the C.N.R. in particular, to reveal details and figures, because they talk about their competitive position. I just wondered, in connection with your companies, if you are private companies. Despite the fact that you are in co-ordination with that organization, you are in competition with certain others.

Mr. SELLERS: I would say that except for the fact that we get together for this type of thing which affects us all, and incidentally we have talked it over with the president of the United Grain Growers Association and the Manitoba pool, we can still talk over the mutual problem, but there is the strongest competition between these remaining private companies which,—by the way, my company is a public company—otherwise are privately owned. The statements of my company are available to everyone, whereas the others are not. But, there is very strong competition.

Mr. FISHER: Despite the fact that in terms of presenting evidence for this authority, you do not feel the need for secrecy because competition is really an important factor and that it would sort of be divulging statistics and a depreciation of your position or something like that. In effect I am asking you to support the general theme that I have and that is this need for secrecy. Quite frankly, I think there are some things which are secret but, I think I know just as much about secrets and about how my competitors are doing, as anyone else.

Mr. SELLERS: Generally speaking, there are very few things in our operation we would not be prepared to lay before any board, but I cannot speak for the other members.

Mr. FISHER: I would like to turn to a completely different topic which interests me, as a representative from the lakehead, although you have nothing about it in your brief.



There is a section in the Railway Act relating to demurrage. As I understand it, you have a special situation about the length of time permitted before demurrage charges come into effect at Vancouver and at the lakehead. As I understand it, this is a working arrangement rather than something that is incorporated in the act. Has your group given any consideration to incorporating in the act a provision in regard to the box car demurrage arrangements that exist at the lakehead and other export points?

Mr. SELLERS: I believe it has partly to do with some order in council. What has happened in practice is that the railways have taken steps to protect themselves through a much more accurate placing of box cars. Any company, including the Saskatchewan pool or ourselves, that appears to have more cars on track or en route than they are able to unload are cut off by the railways from further cars; an embargo is put upon them. In this way they are keeping us right on our toes. We have to unload the cars quickly at either point, or we do not get the cars. This is an interesting solution to the demurrage problem. As long as they deal with the cars in this way there is no demurrage. It puts us in very bad shape if an embargo is laid upon us in Alberta or at any other point and our competitors are able to obtain cars when we cannot.

Mr. FISHER: I am interested in this because there is a special privilege for grain at the lakehead which is not extended to other products for export. Consequently, if someone is shipping something other than grain to an overseas market from the lakehead, the demurrage on the box cars begins after 24 hours, whereas at an Atlantic or a Pacific port the regulations are different and the demurrage begins after four days; the difference in time is considerable. I am interested to see the length of time extended at the lakehead. If the leeway that is presently given to grain were to be given to other products which are shipped for export the problem would be solved.

I would like to see something put into the act which gives protection against demurrage charges to the lakehead as an export point.

The CHAIRMAN: Are there any further questions?

It appears that there are no further questions, therefore we have concluded matters dealing with the brief of the North-West Line Elevators Association. I thank you very much, Mr. Jones, Mr. Sellers and Mr. Weir, and I would ask you to convey the thanks of the committee to the gentleman who unfortunately had to leave.

A brief has been received from the Canada & Gulf Terminal Railway Company. I would like to have a motion to incorporate this brief in the proceedings of the committee.

Mr. FISHER: Are they going to appear?

The CHAIRMAN: No, they have advised us they will not come, but they have sent their brief.

Mr. CANTIN: I move that the brief be incorporated in the proceedings, Mr. Chairman.

Mr. FORBES: I second the motion.

The CHAIRMAN: It has been moved and seconded that the brief of the Canada & Gulf Terminal Railway Company be included in the proceedings of the committee.

In favour? Opposed?

Motion agreed to.

There is no further business before the committee this week with the exception of a bill from the Interprovincial Pipe Line. That will come up at our next meeting which I suggest should be convened at ten o'clock on Thursday.

The only people who have indicated their desire to come before this committee in the near future—and do not forget that everyone has been advised fully about these meetings and have been asked to tell us if they are interested in appearing or to send us their briefs—are the Port of Halifax, the Canadian Industrial Traffic League, the Canadian Manufacturers' Association, and the National Farmers' Union. Meetings will be arranged to hear representatives of these organizations on March 23 and March 25.

I suggest that when the committee meets on Thursday to deal with the Interprovincial Pipe Line private bill, any question which may result from the filing of certain documents by the Department of Transport and from answers to questions which were submitted to the committee last week can be dealt with.

The committee has never replaced our Vice-Chairman, Mr. Brown. I would like a motion in this regard.

Mr. FORBES: The last report of the steering committee states that the Branch Line Association of Manitoba wanted to appear.

The CHAIRMAN: No; they notified us that they could not come.

Mr. MUIR (*Lisgar*): That they could not come today or that they could not come at all?

The CHAIRMAN: They said they could not come; but, as I told you before, the National Farmers' Union will be invited to come on March 23.

Mr. MUIR (*Lisgar*): My information, Mr. Chairman, is that not only will the Branch Line Association of Manitoba be presenting a brief but that the provinces of Saskatchewan, Alberta and Manitoba will also be presenting briefs.

The CHAIRMAN: They were all invited two weeks ago and they have not indicated any interest up to the present day.

Mr. MUIR (*Lisgar*): Mr. Parker informed me that they would be presenting their brief after the provincial briefs were presented, so they must intend presenting briefs.

The CHAIRMAN: The provinces have been present most of the time but they have shown no interest in communicating with the committee to date in this regard.

Mr. STEWART: I would like to nominate Mr. Macaluso as vice chairman.

Mr. CROSSMAN: I second the motion.

The CHAIRMAN: It has been moved by Mr. Stewart, seconded by Mr. Crossman, that Mr. Macaluso be nominated as vice chairman.

In favour? Opposed?

Motion agreed to.

The committee will adjourn until ten o'clock on Thursday, March 11.

## APPENDIX B

Brief Respectfully Submitted to  
THE STANDING COMMITTEE ON RAILWAYS, CANALS AND  
TELEGRAPH LINES

by

THE CANADA AND GULF TERMINAL RAILWAY COMPANY  
in Connection with Bill C-120 (1964-65)  
(Rimouski, Qué.)

For the following reasons, The Canada and Gulf Terminal Railway Company earnestly prays this committee to consider the importance of amending Bill C-120 that is presently receiving attention. Such an amendment could be a special legal clause whereby our company would receive a specific treatment in view of its particular situation.

Thus:

- (1) The Canada and Gulf Terminal Railway Company could be considered; (a) as a "BRANCH LINE" according to law, and thus be eligible to a refund of its operating deficits, that is the difference between its revenue and current expenses including depreciation in accordance with the method authorized by the Department of National Revenue; (b) or as a "LINE OF RAILWAY" and be awarded special subsidies in view of its specific nature.
- (2) Furthermore, there could be foreseen an assistance equivalent to a yield of 6% on the capital issued and fully paid.

1. *Brief History of The Railway:*

The Canada and Gulf Terminal Railway Company was legally incorporated by a law of the Province of Quebec (2-Ed. VII, chapter 60) on March 26, 1902 under the name of The Matane and Gaspé Railway Company. The present name was substituted in 1909 by another law of the Province of Quebec (9-Ed. VII, chapter 100). The existing railway was constructed about 1910 and at the time the railway received a federal subsidy of \$210,053.00 by the enactment of the federal subsidy act (7-Ed. VII, chapter 63).

Regarding the operations and under the prevailing acts, that is "Maritime Freight Rates Act" promulgated in 1927, the "Freight Reduction Act" of 1958, and the "Appropriation Act" of 1961, our company, under the jurisdiction of the Board of Transport of Canada, has received from the federal government certain sums of money permitting the maintenance of this public service and the offering to its clients preferential tolls authorized by law.

2. *Effects of Bill C-120:*

The proposed act entitled "Bill C-120" would evidently result in depriving our company of the assistance of which it was taking advantage under the Freight Reduction Act and the Appropriation Act and, by other means, would deprive the company of all equivalent assistance because *being simultaneously a "LINE OF RAILWAY" of private ownership, and, in view of its operations, a "BRANCH LINE" if one considers the railways as a whole.*



If we apply what has been said to the results of the 1964 operations, excluding the amounts received under the Freight Reduction Act and the Appropriation Act, we arrive at the following deficit:

Gross operating revenue .....	\$ 286,654
Gross operating expenses including depreciation authorized by the Department of National Revenue .....	291,434
Gross operating deficit .....	\$ 4,680
<i>Plus:</i>	
Normal return of 6% on issued and fully paid capital of \$600,000 .....	36,000
<i>Total deficit:</i> .....	<u>\$ 40,680</u>

In 1964, we have in fact received under the Freight Reduction Act and the Appropriation Act a total amount of \$36,402 decreasing the final deficit to \$4,278; this can be translated in a return of 5.28% of capital issued and fully paid.

You will realize that the application of Bill C-120, that would result in having us face a total deficit of \$40,680, would lead to an unavoidable immediate liquidation of the company and the abandonment of an essential public service for an area which is about to know an economic revival not strange to the efforts of your government.

Such abandonment would discourage the implanting of new industries in the area and, furthermore, would accentuate the existing unemployment and curtail the regional production potential.

### 3. *Brief Summary of the Enterprise:*

The railway known as The Canada and Gulf Terminal Railway Company runs from Mont-Joli to Matane, along the south shore of the St. Lawrence, a distance of 36 miles. Besides the two cities just mentioned it serves the following intermediate points: Price, Metis-Beach, Les Boules, Baie-des-Sables, Rivière-Blanche.

The freight and express services are extended by highway transport from Matane to such localities as Cap-Chat and Ste Anne des Monts, serving a total population of about 50,000 souls. The federal law known as "ARDA" has, moreover, recognized this region as being part of a "depressed area" and the federal and provincial governments are jointly striving to develop and put into value the resources of this territory designated as "pilot territory".

The existence of our company and the application of the federal acts authorizing preferential rates have incited several industries of the implicated area to accede to exterior markets, thanks to this essential railway junction, unique, irreplaceable, that links them to the North American railway system (of which they have also been able to benefit) even giving them the opportunity to compete efficiently with similar enterprises.

Furthermore, at the terminus of Matane it seems the government will shortly have important harbour developments that will offer new outlets direct from our railway on the St. Lawrence river.

### 4. *Conclusions:*

We respectfully submit to this committee, bearing in mind what has been set forth that, consequently, an amendment be made to the proposed Bill C-120 which is presently the object of a study. Considering that this public service must continue to exist—and this is all the more imperative that its integration

appears evident in the measures to be realized pursuant to the joint efforts of the federal and provincial governments for the promotion of the development of the resources of this depressed area,—we deem it essential that necessary amendments be brought to the proposed act bearing in mind the existence of our enterprise and the prosperity of the region which it serves and for which area new horizons should be opened in the very near future.

March 5, 1965.

*Translation.*





HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

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Thursday, March 11, 1965

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Respecting

Bill S-42, An Act respecting Interprovincial Pipe Line Company.

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WITNESSES:

*From Interprovincial Pipe Line Company:* Mr. T. S. Johnston, President;  
Mr. R. B. Burgess, General Counsel; and Mr. J. Blight, Secretary-  
Treasurer.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965

STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard, Esq.

*Vice-Chairman:* Joseph Macaluso,  
and Messrs.

Addison	Guay	McNulty
Armstrong	Gundlock	Millar
Balcer	Hahn	Mitchell
Basford	Horner ( <i>Acadia</i> )	Muir ( <i>Lisgar</i> )
Beaulé	Howe ( <i>Wellington-Huron</i> )	Nugent
Berger	Kindt	Olson
Boulanger	Korchinski	Pascoe
Cadieu	Lachance	Prittie
Cameron ( <i>Nanaimo-Cowichan-The Islands</i> )	Laniel	Pugh
Cantelon	Latulippe	Rapp
Cantin	Leblanc	Regan
Cowan	Legault	Rheaume
Crossman	Lessard ( <i>Saint-Henri</i> )	Rideout ( <i>Mrs.</i> )
Crouse	Lloyd	Rock
Deachman	MacEwan	Southam
Fisher	Macdonald	Stenson
Forbes	Marcoux	Stewart
Granger	Matte	Tucker
Grégoire	McBain	Watson ( <i>Assiniboia</i> )

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee.*

## ORDERS OF REFERENCE

THURSDAY, March 4, 1965.

*Ordered*,—That Bill S-42, An Act respecting Interprovincial Pipe Line Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

*Attest.*

THURSDAY, March 11, 1965.

*Ordered*,—That the name of Mr. Orlikow be substituted for that of Mr. Winch on the Standing Committee on Railways, Canals and Telegraph Lines.

*Attest.*

LEON-J. RAYMOND,  
*The Clerk of the House.*



## REPORT TO THE HOUSE

THURSDAY, March 11, 1965.

The Standing Committee on Railways, Canals and Telegraph Lines has the honour to present its

### EIGHTH REPORT

Your Committee has considered Bill S-42, an Act respecting Interprovincial Pipe Line Company, and has agreed to report it without amendment.

A copy of the relevant Minutes of Proceedings and Evidence relating to the said Bill is appended.

Respectfully submitted,

JEAN-T. RICHARD,  
*Chairman.*

## MINUTES OF PROCEEDINGS

THURSDAY, March 11, 1965.  
(31)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:10 a.m. this day. The Chairman, Mr. Jean T. Richard, presided.

*Members present:* Mrs. Rideout and Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan, Deachman, Fisher, Forbes, Horner (*Acadia*), Howe (*Wellington-Huron*), Kindt, Korchinski, Leblanc, Macdonald, McNulty, Pascoe, Prittie, Richard, Rock, Southam, Stewart, Tucker and Watson (*Assiniboia*).—(23)

*In attendance:* From *Interprovincial Pipe Line Company*: Mr. T. S. Johnston, President; Mr. R. B. Burgess, General Counsel; and Mr. J. Blight, Secretary-Treasurer. *Also in attendance:* Mr. Ian Wahn, M.P., Sponsor.

The Chairman called the Preamble of the Bill and introduced the witnesses.

Mr. Burgess and the other witnesses were called and examined.

The Preamble was adopted.

Clause 1 was adopted on division.

Clause 2 was adopted.

The Title was adopted.

The Bill was adopted on division.

The Chairman was instructed to report the Bill to the House without amendment.

The Committee asked, and Mr. Johnston agreed to table a list of principal shareholders of the company (The list is reproduced as Appendix "C" to today's proceedings).

At 11:50 a.m. the Committee adjourned until Tuesday, March 23, when it will resume its study of the subject-matter of Bill C-120.

Marcel Roussin,  
*Clerk of the Committee.*





## EVIDENCE

THURSDAY, March 11, 1965

The CHAIRMAN: Order. Gentlemen, we will deal with Bill No. S-42, respecting Interprovincial Pipe Line Company, which was passed by the Senate on December 14, 1964, and referred to us by the House of Commons. I would call the preamble. On the preamble. Shall the preamble carry?

I would like first to introduce to you counsel for the Interprovincial Pipe Line Company, Mr. Burgess; the president, Mr. Johnston, and the secretary treasurer, Mr. Blight.

I suppose the members would like some explanation from either the agent or Mr. Burgess. Would you like to make a statement, Mr. Burgess?

Mr. R. B. BURGESS (*Counsel to Interprovincial Pipe Line Company*): Yes, Mr. Chairman, I would be very happy to.

Mr. Chairman, members of the committee, in introducing this bill to you I would just like to make a few preliminary remarks.

As shown by the explanatory notes to the bill which is now in your hands, the purpose of the bill is to subdivide each of the 40 million authorized shares of the capital stock of the company of the par value of \$5 into five shares of the par value of \$1 each. I am sure all the members of the committee are familiar with the situation that in an ordinary letters patent company a subdivision of this nature is done by application to the Secretary of State and is more or less a formality. This company, being incorporated by special act of the parliament of Canada, must come back to parliament to have a subdivision of this nature consummated.

The bill which is before you is in the form which has been settled with the staff of parliament and is the usual form for a bill for this purpose. I would point out that the bill, if enacted, will not increase or alter the total authorized capital of the company, which is presently fixed at \$200 million. As stated above, it will merely subdivide the present 40 million shares of par value of \$5 each into 200 million shares of a par value of \$1 each.

I would like to take this opportunity to outline a few pertinent facts about the applicant company. In the first place, this is an all-Canadian company; 89 per cent of its 14,127 registered shareholders are Canadian, and of the 5,087,282 shares presently issued 4,464,917 are held by these Canadian shareholders. All the directors and officers of the company are residents and citizens of Canada.

I have left with the clerk of this committee a document which is entitled "A System Map", and if the members of the committee would care to refer to that as we proceed they will get some idea of the magnitude of the company's operations at the present time. It operates a crude oil pipe line 2,000 miles in length carrying western Canadian oil from the oil fields of western Canada to eastern Canada and to some points along its route in the United States. The pipe line originates near Edmonton, Alberta, traverses the provinces of Alberta, Saskatchewan and Manitoba, and through its 100 per cent owned subsidiary, Lakehead Pipe Line Company, crosses the states of North Dakota, Minnesota, Wisconsin, Michigan, and re-enters Canada at Sarnia, Ontario. From Sarnia the line extends to the Toronto-Clarkson-Bronte area. A spur line traverses the Niagara peninsula and delivers western Canadian crude oil into the Buffalo-New York area.

It should be noted that all the western Canadian crude oil consumed in Ontario under the provisions of the national oil policy is transported over this line. The company operates strictly as a common carrier. It neither buys, owns nor sells any oil. In this regard it is quite similar to a railroad in that it is purely a carrier, a transportation undertaking; it carries all oil tendered to it under published tariffs.

Generally the company is under the jurisdiction of the national energy board which has complete power to regulate the rates charged for transportation. No oil may be carried over the line except in accordance with published tariffs and these tariffs must be filed with the national energy board.

Starting from a comparatively small beginning in 1950, when the first construction of a single line commenced, the company has grown over these 15 intervening years to the point where it now carries more than 500,000 barrels of western crude oil per day.

We are proud of the fact that this Canadian enterprise operates the longest crude oil pipe line in the world. As a result of the expansion of the system which has taken place over these 15 years, the rate per barrel charged for the carriage of oil has been reduced by more than 42 per cent from the year 1950. Under our existing tariff a barrel of oil now is delivered from Edmonton to Sarnia, Ontario, for 48 cents.

Since we were speaking of 2,000 miles in length of the pipe line, the actual length of pipe in the ground, due to expansion and the putting in of second parallel lines, is about 3,500 miles. Referring again to the rate per barrel charged for transportation from Edmonton to Sarnia, Ontario, we believe this to be as low a rate for transportation of oil by a pipe line as exists in the world today.

Gentlemen, with me here I have Mr. Johnston, our president, and Mr. Blight, our secretary-treasurer. At this time I would introduce Mr. Johnston and ask him to state basically the reason for this proposed subdivision. Also, he will answer any questions in that connection which any member of the committee may ask.

Mr. T. JOHNSTON (*President, Interprovincial Pipe Line Company*): Mr. Chairman, ladies and gentlemen. The purpose of this bill, as stated is to subdivide the shares of the stock to bring the price more in line with the small investor. Over the years this stock has risen with the general market trend and today it has reached a price of about \$93. This was the closing price on the Toronto stock exchange yesterday.

The philosophy in respect of the small investor is that he would much prefer to invest his money in a stock which was selling the low range of, say, \$15, \$20 or \$25. The small investor would prefer to buy a stock either in board lots of 100 shares or round numbers of 50 shares. Now, a stock selling in the \$90 range discourages him, in this philosophy, and if he bought 100 shares of Interprovincial stock today it would cost him about \$9,300, which is rather beyond the scope of the average investor. With regard to the stock we were selling in the 1920's he would be permitted to buy 100 shares for around \$2,000.

Also, there is a style or trend today in the stock market field. A company does not wish to have its stock sell too low, and it does not wish it to be sold too high. Surveys which have been made on the New York stock exchange, as well as on the Toronto and Montreal exchanges, by investment houses seem to indicate that in Canada the popular priced stock is in the range of \$20 to \$25. This encourages wide participation by the Canadian stockholder and the Canadian public which, I think, is a most desirable feature. I think the public should participate to the greatest extent possible in any company which has been successful and has contributed something to the Canadian economy. With

that in mind we, as well as the board of directors of the company, feel that a five for one split on our stock is most desirable in order to bring the price down somewhere around \$20, which would permit a wider participation by the public. There is no new stock issue.

The CHAIRMAN: Have you a question, Mr. Rock?

Mr. ROCK: Mr. Johnston, I quite agree with your philosophy that more Canadians should participate in buying shares. In fact, I have always found that the majority of Canadians do not invest in Canada. I think it is time that the Canadian public receive encouragement from Canadian industry.

I note that your company's pipe line is 3,500 miles long. It would have only 360 miles farther to go to reach Montreal. I would like to know why this pipe line does not extend to the Montreal area? Would you be able to explain this?

Mr. JOHNSTON: That was a hot question two or three years ago.

Mr. ROCK: I was not here two or three years ago.

Mr. JOHNSTON: Well, there were several proposals. One proposal was a grass roots line all the way from Alberta to Montreal. At that time certain discussions and philosophies were expressed to the effect that a grass roots line, a completely new one, was not the most economical way to approach this. At that time we submitted certain studies which indicated we could extend our system to Montreal, and it would be the most economical method of moving western Canadian crude into the Montreal area.

Of course there is competition from foreign crude. I believe the final decision on the whole matter was that it was not desirable in the over-all to prohibit or restrict, or to put tariffs upon foreign crude coming into the country at that time, and it was felt that exports might hinder Canada's relationship with Venezuela. So it was not considered desirable at that time.

From the standpoint of Interprovincial, this is a public company, and it would approach a subject like that in a completely business-like manner. If it were economically feasible to do so and politically expedient, then I think it could be done from the standpoint of this company.

Mr. ROCK: There was no pressure on the part of people and oil companies who own interests in Venezuela and in the west to prevent this?

Mr. JOHNSTON: No, sir.

Mr. ROCK: I am rather surprised to receive this type of reasoning when there were only 360 miles to go.

Mr. JOHNSTON: It was also a question of laid down prices of crude that could be delivered as compared to the Middle East.

Mr. ROCK: Can you explain about that price. Would it be cheaper to bring oil from the west to Montreal than it would be from Venezuela?

Mr. JOHNSTON: I think we would be getting into the world price of crude at that point, and I do not feel I am particularly qualified to speak on it. There is a posted price of crude which you would pay in the Middle East delivered at Montreal or at Portland. On the other hand, if the company is producing its own crude and carrying it in its own tankers, it is naturally more of an economical matter. I would not know myself the laid down cost of Middle East crude at Montreal today. All I can say is that if we ever extended our pipeline east, we would be able to deliver crude in it in volume. You must understand that you would have to have a really sizeable market in order to make it attractive; and it would run somewhere around 60 cents a barrel which would be our tariff from Edmonton. Whether or not that would compete today, I really do not know.



Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you tell me when it was publicly known that the company proposed to make this application?

Mr. JOHNSTON: Our board of directors meeting was on June 10, and we applied to parliament right after that. I think we went through the formality of advertising the bill. So it was in July, probably four weeks after June 10. We announced of course that we were going to petition parliament immediately after our June 10 board meeting.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What was the market value of your shares before the announcement?

Mr. JOHNSTON: It was about \$85.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): We were told in the House of Commons that it has now gone up to \$93. Is that correct?

Mr. JOHNSTON: Our closing price yesterday was \$93 and a fraction.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could you give me any idea of the volume of trading in the shares of your company?

Mr. JOHNSTON: Yes, we have the figures. I can say that over the years I have watched this thing, and I would say that it ran from 700 to 1,000 shares a day. I think that is probably a reasonably good average. One thousand may be high, because our figures show that in June they traded 25,000; in July, 22,000; in August, 19,000; in September, 26,000; in October, 14,000; in November, 18,000 and in December, 12,000. So, if you figure the number of days, 20 or so in a month, less than 1,000 a day is not an unreasonable figure, I would say, for the over-all.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There would be shares available for purchase by your employees under the employees' savings plan?

Mr. JOHNSTON: The employees' savings plan shares are purchased on the open market at intervals of three times a month, I believe. This is not done at stated intervals, because we do not wish to establish a pattern, but we do make purchases two or three times a year.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Thank you.

Mr. PASCOE: Mr. Chairman, I came in a little late and this question may have been answered. I would like to ask Mr. Johnston, in respect of the employees, how many employees does the company have?

Mr. JOHNSTON: We have just under 600. I believe 598 is the exact figure.

Mr. PASCOE: I was interested in this employees' savings plan. Would you tell us how it works; is it voluntary?

Mr. JOHNSTON: It is voluntary so far as the employee wishing to contribute is concerned. Of course, the theory behind any savings plan essentially is savings, and we would like to encourage that.

Mr. PASCOE: Is it a fair question to ask whether the fund is quite extensive now?

Mr. JOHNSTON: Yes. Over the years our employees have accumulated in the plan something in the area of 11,000 shares which I think is a rather sizeable amount.

Mr. PASCOE: Do the employees have outright possession of those shares, or would the company have a share in them?

Mr. JOHNSTON: No. Each year they are permitted to withdraw a third of their contribution and the company's contribution with the idea that two thirds will remain in the plan. However, on termination of employment, an employee is permitted to make his withdrawal, and in the meantime he receives the dividends which accrue.

Mr. PASCOE: This map shows the lines coming in from Saskatchewan such as the Mid-Saskatchewan Pipe Lines Ltd., the South Saskatchewan Pipe Line Co., and Trans-Prairie Pipelines Ltd.

Mr. JOHNSTON: Yes.

Mr. PASCOE: Is there much of a flow coming in from Saskatchewan?

Mr. JOHNSTON: Yes. It comes in at Cromer, Manitoba, which is just over the Saskatchewan-Manitoba border. All the South Saskatchewan crude is brought in there and there is a small line coming in from Virden to the north. The Saskatchewan crude is delivered to us through the lines in the Regina system in respect of heavy crude, and through the other lines from southern Saskatchewan into Cromer.

Mr. PASCOE: Is it transported at the same rate you mentioned earlier?

Mr. JOHNSTON: The rate we quoted is our rate. There is an additional tariff for those pipe lines. They have a separate tariff.

Mr. KINDT: Mr. Johnston, on the question of price, can you outline briefly how the price of oil is set to well operators—wellhead prices—in Alberta where delivery is made to the Interprovincial Pipe Line Company? I realize that your corporation has nothing to do with buying the oil; you are a transporting company. However, I am interested in how the price is established there, because you have a monopoly.

Mr. JOHNSTON: You must remember that I am not a producer. Of course, there is a wellhead price. That is established by the producing companies, with the ultimate result that the oil must be competitive in any market where it is laid down. The price of western Alberta crude and other Canadian crude delivered at Sarnia has to be a price that is competitive or otherwise the oil just will not sell. In respect of our portion of that laid down cost, Interprovincial's tariffs are set quite independently. Consistently we have reduced our tariff as our volume has increased. As Mr. Burgess pointed out, when we started in 1950 the figure, I believe, was about 80 cents a barrel. At that time we were moving a relatively small amount of oil. As the volume increased, we have been fortunate in being able to reduce that tariff so that now that same barrel of oil moves for 48 cents as against the original cost of, I think, 82 cents, or something in that order.

Mr. PASCOE: Did you say the cost is down to 42 or 48 cents now?

Mr. JOHNSTON: It is now 48 cents. It is a 42 per cent reduction.

Mr. PASCOE: In addition to what is given here as an excuse—the fact that you want to get greater participation among small shareholders, which is a desirable thing, and which makes good public reading—what is behind it? Let us come to the point.

Mr. JOHNSTON: Absolutely nothing, sir. I am perfectly honest about this: there is no ulterior motive in this. There is no intention on the part of management or the directors to participate in any way in any extravagant bonanza, as you might call it, or anything else. If the stock is split, the price will be reduced accordingly. The dividend will be reduced accordingly. It really is as simple as that. I believe quite often people have a misconceived idea that a board of directors or large shareholders will participate in these stock splits to a large extent. I can indicate to you that I am the largest shareholder on the board of directors. I hold 3,637 shares of stock which is not an extravagant amount. We have two directors who hold 500 shares; one director who holds 250 shares, two who have 100 shares, and one who has five shares.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What was the last dividend declaration?

Mr. JOHNSTON: At the first of March it was 85 cents.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is quarterly?

Mr. JOHNSTON: Yes, sir, the quarterly payment made on March 1.

Mr. DEACHMAN: I would like to deal with the capacity of the line. I think you said it delivers 500,000 barrels a day?

Mr. JOHNSTON: That is approximately correct.

Mr. DEACHMAN: That is what is delivered now?

Mr. JOHNSTON: Yes.

Mr. DEACHMAN: What is the capacity of the line?

Mr. JOHNSTON: That is a difficult question to answer because the line itself has different capacities in different sections. For instance, we have a large quantity of oil being taken into the middle of our line at Cromer, Manitoba. I would say generally we figure we should have 15 per cent reserve capacity in our over-all system.

Mr. DEACHMAN: The way it stands now you have a reserve of about 15 per cent?

Mr. JOHNSTON: Yes. It would vary between 12 and 15 per cent, but 15 per cent is the figure we like to have and we plan our construction program with that in mind.

Mr. DEACHMAN: If you went up 15 per cent you would be running the line at just about your capacity?

Mr. JOHNSTON: Yes; it would be wide open.

Mr. DEACHMAN: What is the future having in mind the delivery of oil to the east? Are we reaching a point where we will need additional capacity?

Mr. JOHNSTON: Yes.

Mr. DEACHMAN: What has been the history of the growth in the delivery of oil?

Mr. JOHNSTON: This year we built additional loops into our system to take care of our 1965 increase. This summer we are planning to spend about \$12 million to further expand the system to take care of our 1966 requirement which is in the order of about 5 per cent. These expansions take place. It is a rather involved hydraulic study, as you can imagine, with the different types of crude carried. This expansion takes place at strategic places where the capacity may be a little tight. We plan our construction to take care of the following year's demand. It looks as if 1966 will be in the order of 5 per cent beyond 1965.

Mr. DEACHMAN: So you plan about two years ahead and build about a year ahead?

Mr. JOHNSTON: That is the unfortunate thing; that makes it difficult, but generally that is it.

Mr. DEACHMAN: There is a steady growth of new capital development and investment has expanded.

Mr. JOHNSTON: We have installed over \$90 million of plant in the last ten years; this has been out of our own reserves.

Mr. DEACHMAN: If I am not wasting the time of the committee, I would like to ask some further questions. To what extent is oil being used for industrial purposes; is this a growing factor in the transport and movement of oil?

Mr. JOHNSTON: Our studies of the market indicate that there is not any sizeable increase in the use of Canadian crude in the western provinces; I am not speaking of British Columbia because we do not go that far. I am speaking



of Saskatchewan and Manitoba. The demand there has been a very small but not remarkable increase.

Mr. DEACHMAN: Do you see a further substantial area for growth across the prairies and further?

Mr. JOHNSTON: Our forecast does not show any remarkable increase. The greatest increase we see is down in the east, in the Ontario market particularly, and to a small extent what the United States market is able to take.

Mr. DEACHMAN: So, for the foreseeable future, the growth area for Canadian oil coming out of the west is the eastern Canadian market?

Mr. JOHNSTON: That is what our studies indicate.

Mr. DEACHMAN: Is there a growing demand for oil in the south, or is the southern United States oil in competition?

Mr. JOHNSTON: No. Canadian crude is competitive in certain markets in the Toledo-Detroit area. Of course, we are faced with certain restrictions and a duty on imports of Canadian crude into the United States. Only yesterday in Washington was this rather large meeting held which was called by Secretary of the Interior Udall to discuss this whole program. On the whole the export of Canadian crude into the United States has increased gradually over the years. As we see it, I think in 1965 it will be about the same as it was last year. I do not see any increase at the moment. Of course, this is controlled.

Mr. PASCOE: May I ask a supplementary question? Your map shows that Moose Jaw is quite a good market. Could any other company take up that line if it wanted to set up a refinery in any kind of a monopoly?

Mr. JOHNSTON: If there was a new refinery I am quite sure the producers would be delighted to sell them the oil.

Mr. PASCOE: Thank you.

Mr. MACDONALD: I understand your view is that without some kind of quota protection you would not be able to carry western crude into the Montreal market?

Mr. JOHNSTON: I do not think I expressed it in quite that way.

Mr. MACDONALD: I was not here and one of my colleagues informed me that is what you said. I presume there are no immediate prospects.

Mr. JOHNSTON: I think Canada is quite reluctant to place tariffs on foreign crude coming in here; I think that is a policy. In their eyes I do not think they believe it is a desirable thing to shut out this market.

Mr. MACDONALD: Do the products in this market go east, say, of the refinery at Clarkson?

Mr. JOHNSTON: This is a crude line.

Mr. MACDONALD: Does the crude go east of Clarkson?

Mr. JOHNSTON: It is the end of our system.

Mr. MACDONALD: Are the refineries at Clarkson and at other places in Ontario such as Sarnia working at capacity?

Mr. JOHNSTON: Pretty close to it.

Mr. MACDONALD: I believe you said you are within 15 per cent of capacity and that any addition would require extension of your facilities.

Mr. JOHNSTON: Yes. We very definitely plan that. We have a program for this summer.

Mr. MACDONALD: Could this be done without putting in what would be the equivalent of a second track of railway?

Mr. JOHNSTON: We loop the line; we lay another line alongside the other in the tight places which permits greater capacity in those areas.

Mr. MACDONALD: How many authorized shares now are outstanding?

Mr. JOHNSTON: There are 5,047,000 authorized shares now outstanding.

Mr. MACDONALD: So you would not require a further authorization of capital if you decided to have a major underwriting.

Mr. JOHNSTON: No, sir. We have no plans of increasing the equity stock at all.

Mr. MACDONALD: Is it possible for you to say where control of the company lies?

Mr. JOHNSTON: Yes, sir. Fifty seven per cent of the company is controlled by the public. There are three major shareholders who have 47 per cent of the stock.

Mr. MACDONALD: Would you identify those shareholders?

Mr. JOHNSTON: Yes, sir. Imperial Oil, who were the instigators of the program back in 1949 own 33 per cent; B.A. (American) own about 8 per cent which is the stock which originally was sold to Gulf Oil, and Shell, who now own Canadian Oil, participates in the company to the extent of 100,000 shares. If you add those up it is 47 per cent.

Mr. MACDONALD: In respect of the other shares in the hands of the public do you know of any shareholder who has more than 10 per cent?

Mr. JOHNSTON: No.

Mr. MACDONALD: Five per cent?

Mr. JOHNSTON: We have a list here. Most of it is in investment trusts.

Mr. MACDONALD: It is widely held?

Mr. JOHNSTON: Yes. There are 14,000 shareholders.

Mr. KINDT: Mr. Chairman, I think this bill ought to be held up until such time as we have witnesses before us who will explain the monopolistic tactics of this company. As was stated, 33 per cent of the shares are held by Imperial Oil, 8 per cent by British American, and some by Shell. I would like to know what the effect of this is on the independent oil producers of the west.

Mr. Chairman, this is a monopoly. I have been familiar with this situation for some time. We are being asked to justify or grant a split in the shares of this company and to make that split in the dark. This committee is no place to bring such a proposition without providing witnesses to answer certain questions. So far Mr. Johnston has not come forward with answers to particular questions of a significant nature. This would lead me to believe that there is something else behind the operation of these companies, which will have a vital effect upon the development of oil in western Canada. Now, we require a clear statement in respect of this question of monopoly in the operations of the oil industry of western Canada so that we will be able to pick up the economic factors involved.

Mr. Chairman, I want to vote for this bill; I want to see it go through, but I believe the people are entitled to know what the facts are behind it.

The CHAIRMAN: Dr. Kindt, I think in fairness to the witness you should state the question which you think has not been answered.

Mr. KINDT: I have already stated it.

The CHAIRMAN: Would you please put your question again. I think it would be fair to the witness if you did that so that he will know the information you require.

Mr. KINDT: Mr. Chairman, I want to know what effect the monopolistic tactics of this pipe line company has upon oil development in western Canada and the independent producer.

Mr. HORNER (*Acadia*): Mr. Chairman, what Dr. Kindt is saying in essence is that we have before us a company who naturally are interested in supporting this bill. But, we are hearing only one side of the story and I think Dr. Kindt is suggesting that this is not enough, that perhaps we should hear from other interested parties in order to properly evaluate the necessity for this bill.

Mr. STEWART: Is it being suggested that the company should be nationalized?

Mr. HORNER (*Acadia*): Dr. Kindt is not suggesting anything of that kind.

Mr. KINDT: You know better than that.

Mr. STEWART: I cannot see the alternative you are proposing.

Mr. DEACHMAN: Mr. Chairman, Dr. Kindt has referred to monopolistic tactics and I think it would be very beneficial to the members of the committee if he would explain what he means by monopolistic tactics so we will at least know what he has in mind.

Mr. KINDT: Mr. Chairman, I will be glad to do that for Mr. Deachman's information.

Monopolistic tactics are where you have a policy of controlling all the corporations in such a way that they can control prices. That is what I meant by monopolistic tactics: I say that this particular pipeline, owned, as it is, by Imperial Oil, British American and Shell, have control over it and they are, indeed, throttling the development of the oil industry in the west.

Mr. JOHNSTON: Mr. Chairman, may I answer that question. First, Shell is not represented on our board of directors. Its holding of 100,000 shares of stock is not an extravagant one. I think you have in mind that these companies can control our published tariff rates. These tariffs are published and, as I pointed out, we have consistently reduced tariffs over the last twelve years, consistent with the volume that has been transported through the line, thus making oil deliveries at the refineries cheaper than they ever were. There are a total of nine directors. Four are shippers, and five represent the outside shareholders or the 57 per cent public ownership of the company. When rates and tariffs are discussed at this board a perfectly reasonable discussion takes place; I can assure you there is absolutely no pressure put on management to try to establish rates which would be advantageous to the shippers. As I have said before, we have no ulterior motive.

Mr. KINDT: Then, could you explain the pressure which at one time was brought in the Bay City area of the United States, which had an effect upon price.

Mr. JOHNSTON: I am sorry but I did not hear your question.

Mr. KINDT: There was some pressure brought to bear upon a company at one time by some interests in the United States.

Mr. JOHNSTON: No, not to my knowledge. We have no control over the price of crude; we do not have anything to do with the cost of drilling or discovering a well; we have nothing to do with the well-head price. Ours is a completely free transportation system. We are a common carrier, and our rates are established independently. Of course, we try to keep to that procedure.

Mr. KINDT: Would you say then that there is equal opportunity for independent oil producers in the west who wish to deliver their oil through your pipe line.

Mr. JOHNSTON: Oh, absolutely. We are a common carrier. Our rates are approved by the national energy board and if anyone has any complaint whatsoever in respect of the tariffs on our pipe lines all they have to do is ask the national energy board for a hearing.



I could not tell you how many producers deliver oil through our system. I would not know the answer to that because the oil is delivered into these other carrier lines coming into ours. But, I do know that we have some 23 delivery points. Of course, any restriction on receiving oil is completely out of the question.

Mr. MACDONALD: Mr. Chairman, I have a supplementary question. As a common carrier you have no right to refuse delivery of oil from anyone.

Mr. JOHNSTON: No, sir.

The CHAIRMAN: Have you a question, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I would like to pursue my question of a few moments ago in respect of your dividend declarations. You told me your last dividend declaration was 85 cents quarterly.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would it be fair to suggest that the annual dividend would be approximately \$3.40? Has it been about that figure?

Mr. JOHNSTON: Yes, \$3.40.

Mr. BLIGHT: That is what it would be now.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is what you would anticipate it to be.

Mr. JOHNSTON: Yes. I would say that is what we would contemplate for 1965.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): So, that would be \$3.40 on a \$5 investment?

Mr. JOHNSTON: No.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Per share? Wait a minute; this is based on your capitalization. Many of these shares originally were sold at \$5.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you tell us how many shares were sold at \$5 which are drawing the \$3.40 dividend?

Mr. JOHNSTON: At the present time there are 5,087,000 shares outstanding. Of that 5 million, 3,596,000 were issued at \$5 or its equivalent. There were 3,600 shares issued at \$5.20 which were late; when the convertible debentures were converted a few did not come in at the right time and we allowed them to be converted. That is another 3,600. Some 1,439,500 shares were issued in 1953 at \$18; par value is \$5. There was a premium of \$13 on top of that.

Mr. WATSON (*Assiniboia*): What year was that?

Mr. JOHNSTON: That was 1953, and 47,450 were issued under the provisions of the company stock option plan.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): At what price?

Mr. JOHNSTON: Just a minute, please. This was 1954 to 1964, and the option price varied between \$25.75 and \$53.23, and on this \$237,250 of par value the company received \$1,320,612, and this was paid into the company's treasury. The stock option plan expired on April 1, 1964.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then you would agree there have been very handsome returns on the shares?

Mr. JOHNSTON: I would say that, yes. But, may I say that this has been a successful company from a business standpoint. It has contributed a great deal to the Canadian economy, and it has provided Canada with one of the largest

crude oil pipe lines in the world, and delivered crude oil at the most economical rate.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Shall we get back to our onions? In addition to this dividend distribution, which you agree has been very handsome, you told us a while ago the company also has invested from their own earnings \$90 million in the last ten years.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is also rather handsome.

Mr. JOHNSTON: Very good.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Very good, indeed.

Mr. JOHNSTON: Without additional financing.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Precisely, without additional financing.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Now, is it possible, Mr. Johnston, that these rather lavish returns have become embarrassing and that they would not appear so embarrassing if your shares are split five for one.

Mr. JOHNSTON: I have not been embarrassed at all, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But, you might be. If your customers or clients, or however you describe them—

Mr. JOHNSTON: Shippers.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): —were to get a clear picture of this it might be that they would question the rates you were charging them for taking the oil to eastern Canada.

Mr. JOHNSTON: I do not think that would be right, no sir. The charge for oil moving over 2,000 miles, namely 48 cents, is certainly competitive.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I suggest that the 48 cents is completely irrelevant unless taken in the context of the earnings of your company.

Mr. JOHNSTON: Our earnings can be very clearly established in the order of 6 per cent, which is not an extravagant earning for a company with that amount of capital.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How do you calculate the 6 per cent? I always have been interested in this.

Mr. JOHNSTON: Well, it is a very difficult thing to do. It goes back to the rate set by the Interstate Commerce Commission, when Canada had no rate. When we started up here we had no real basis to establish the rate of return. It is based on the fixed assets at cost.

Mr. BLIGHT: Reverting to the \$90 million, this amount has not all arisen from our earnings. We have reinvested depreciation moneys, deferred income tax moneys, which has provided us with cash with which to invest in additional plant facilities. So, the whole \$90 million has not been from earnings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I am glad you brought that up. I was going to put a question in respect of depreciation allowances later on but, as you have mentioned it, could you advise what proportion of your \$90 million would come from investment of your depreciation allowances?

Mr. BLIGHT: Our depreciation is some \$95 million and our deferred income tax is some \$25 million or \$26 million. You realize this gives us a cash flow, which we can invest in plant facilities over and above all the retained earnings we have not paid out in the form of dividends.

Mr. PRITTIE: What form of depreciation do you use? Is it the same type as the drilling companies use. Is it based on an estimated service of the pipe line or its related facilities?

Mr. BLIGHT: Our pipe line is based on thirty years of service; some of our buildings, thirty-five to forty years; some equipment, thirty years, and tanks, thirty-five years. Each type of equipment varies with the period we think it will last.

The CHAIRMAN: Have you completed your questioning, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Just one further question, Mr. Chairman. You mentioned a figure of \$90 million. Over what period is that?

Mr. BLIGHT: Since the inception of the company.

Mr. FORBES: I understood that Imperial Oil, B.A. and Shell own a major portion of the shares. Does this give them a priority on the use of the line?

Mr. JOHNSTON: Absolutely not.

Mr. FORBES: How do you arrange their quota?

Mr. JOHNSTON: Anyone can tender oil to us. There is a system laid down where they tender each month their requirements for the following month. We accept all tenders. If it should ever happen that the tenders exceed the capacity of the system—God forbid; we are in business to supply the market, and we have not reached that situation yet—the tenders then are all prorated.

Mr. FORBES: On a quota basis?

Mr. JOHNSTON: On a basis proportionate to the amount shipped by each company up to the capacity of our system, and we have not reached that to date. We accept anyone's oil. We are a common carrier and carry it all at the same rate.

Mr. FORBES: Is the line now in continuous use or are there any lapses?

Mr. JOHNSTON: It is in use twenty-four hours a day, seven days a week.

Mr. FORBES: This is the point I was getting at. I would imagine that the person who owned the largest number of shares would have a priority under the circumstances.

Mr. JOHNSTON: No, no not at all. If they want to tender 100,000 barrels of oil, that is fine, our carrier will take it if we have the capacity. A small shipper may want to ship only 40,000 barrels a day; we take all of them. No, there is no discrimination among shippers in any way.

The CHAIRMAN: Have you a question, Mr. Leblanc?

Mr. LEBLANC: Is it not true that if you were incorporated under the Canadian Companies Act you would have to go through only the Secretary of State to have a subdivision of the capital which you are requesting here?

Mr. JOHNSTON: That is right.

Mr. LEBLANC: So, the only thing you would have to do is issue some papers and you would obtain it.

Mr. JOHNSTON: That is a very simple procedure.

Mr. LEBLANC: That is, if you are incorporated under the Canadian Companies Act?

Mr. JOHNSTON: Yes.

Mr. MACDONALD: Mr. Chairman, I wanted to ask a series of questions based on a suggestion I seem to find inherent in the remarks of Mr. Cameron, that if the shippers knew the earnings record they might ask for lower rates. As a public company your earnings over the years have been public information.

Mr. JOHNSTON: Yes.



Mr. MACDONALD: And, in particular, the retained earnings you have reinvested back in the company is public information.

Mr. JOHNSTON: Yes.

Mr. MACDONALD: So, these figures have been a matter of public record?

Mr. JOHNSTON: Yes.

Mr. MACDONALD: They appear in your annual report.

Mr. JOHNSTON: Yes, it is a matter of public record.

Mr. MACDONALD: How many widows and orphans are delivering oil to your pipe line? Perhaps I should put the question the other way around. Do you find most of your shippers are pretty sophisticated business people?

Mr. JOHNSTON: I would think so. They are in a business which, in itself, is competitive, and if they do not survive in that climate I do not think they should be in business.

Mr. MACDONALD: As I understand it, the shippers have had a full right since 1960 to object to any rates before the national energy board.

Mr. JOHNSTON: Yes.

Oh, yes, the board of transport commissioners had that jurisdiction before the Pipe Lines Act.

Mr. MACDONALD: Have you received any objections from the shippers?

Mr. JOHNSTON: No. There was one question in the United States of a refinery at Duluth, Minnesota, which claimed that we were discriminatory, and they appealed first to the Interstate Commerce Commission. But the Interstate Commerce Commission said they had no case at all. So they brought it up here and there was a hearing before the board of transport commissioners, and their plea was disallowed.

Mr. MACDONALD: There were none of these substantial with that exception. Over the years have you ever received complaints about this earnings record?

Mr. JOHNSTON: No.

Mr. HORNER (*Acadia*): What is it that determines whether or not you should issue more shares? In this business of splitting shares and issuing shares it seems to me that the company would prefer to split shares rather than to issue more shares. I realize you may have explained it already, but that does not bother me. I had to attend another meeting, but I am here now. I want to know what it is that makes you decide whether or not to issue more shares.

Mr. JOHNSTON: I think the only time we would consider issuing more shares would be at a time when we required additional capital. I think, as you well know, that when you raise capital, you can take it from almost any source. You could have a combination of equity stock or bonds, or one or the other. In our particular philosophy we have no desire or interest to issue any more common stock. In financing, we might over the years be tied to financing in the form of sinking fund bonds, or first mortgage bonds. I can assure you that we have nothing in mind at the moment in the way of equity stock.

Mr. HORNER (*Acadia*): The sole purpose of this bill is to give more encouragement to the small Canadian investor to invest. Is that right?

Mr. JOHNSTON: Yes.

Mr. HORNER (*Acadia*): How many small Canadians are now investing in the 57 per cent of your shares?

Mr. JOHNSTON: We have approximately 14,000 shareholders.

Mr. HORNER (*Acadia*): What would be the average number of shareholders that you would have who were small investors, and what would they have? Could you give us some idea?

Mr. JOHNSTON: That is a pretty difficult question to answer.

Mr. HORNER (*Acadia*): After all, we are here to try to help the small investor, and we should hear his case.

Mr. JOHNSTON: We only have 37 shareholders who have more than 10,000 shares.

Mr. HORNER (*Acadia*): You say 37 shareholders?

Mr. JOHNSTON: Yes, sir.

Mr. HORNER (*Acadia*): Who have more than 10,000 shares?

Mr. JOHNSTON: Yes, sir.

Mr. HORNER (*Acadia*): Can you break that figure down any further? How many shareholders have more than 1,000 shares?

Mr. BLIGHT: We do not have that.

Mr. HORNER (*Acadia*): You say you do not have it.

Mr. BLIGHT: No, sir.

Mr. HORNER (*Acadia*): I do not mean to be unduly critical, but it appears to me that you should have it. We are here to decide on a share splitting. That is an old gimmick that we hear of from time to time when various companies come before this committee. We are here to try to help the small Canadian. That is the purpose of this bill. I believe this is information which should be given to the committee. How badly needed is this legislation? That is the question I ask myself. How badly needed is this bill? Is the small investor really hampered with his \$85 to \$93 per share? This is the question I ask myself. Unless you can produce to me, at any rate, evidence to the effect that the small shareholder is hampered, I shall have to vote against the bill.

Mr. JOHNSTON: Well, I think I can show you what has happened. Let us take Trans-Mountain as an example. When they split their stock, in 1956, they had 5,521 shareholders as of December 31, 1956. One year later there were 7,027, and today they have 17,363 shareholders, as of November 30, 1964. So the shareholders in that particular company have grown from 5,521 to 17,363.

Mr. HORNER (*Acadia*): This is good evidence, but I would assume regarding Trans-Mountain that in the same period, that of nearly 10 years, their business has perhaps doubled or tripled, and so on. We would imagine that the number of people investing in your company's shares would have increased at any rate. May I be given some evidence that there is a demand by the small investor for a lower priced share? This is the whole essence of the bill, as I see it. Is there a demand or is there not? We just have not had that evidence as far as I am concerned, not since I have come here anyway.

Mr. BLIGHT: May I approach your question about how many small investors we have? I do not have a breakdown by thousands, but we do have approximately 14,100 shareholders who own one million and nine shares. This works out to an average of 136 shares for each of the small shareholders owning less than 10,000 shares.

Mr. HORNER (*Acadia*): You say 136 shares?

Mr. BLIGHT: Held by each of the 14,100 shareholders.

Mr. HORNER (*Acadia*): Could you bring us up to the next bracket?

Mr. BLIGHT: The only figures I have available show that 37 shareholders own more than 10,000 shares.

Mr. HORNER (*Acadia*): Each?

Mr. BLIGHT: I am sorry, I should say in excess of 10,000; 37 shareholders own 3 million shares; this includes Imperial Oil.

Mr. HORNER (*Acadia*): Out of five million and some odd shares?



Mr. BLIGHT: Yes.

Mr. HORNER (*Acadia*): That leaves 1 million shares for which you have not accounted.

Mr. BLIGHT: One million and nine; that is the figure I gave you first.

Mr. JOHNSTON: In my basic remarks I think I tried to indicate what the feeling of the investor is. I said that the average small investor had a preference to buy stock within the range of \$20 to \$25 or somewhere in that order, when he has a desire to own stock; whereas today in order to buy 100 shares of our stock at \$90, it would cost him \$9,000 which I think is beyond the means of the average man. On the other hand, I believe that people who have \$2,000 to invest are more numerous than people with \$9,000; and on that basis, with the trend or pattern in the investment field of popular stocks at a price of \$20 to \$25, this is certainly the market.

The CHAIRMAN: Are you through?

Mr. HORNER (*Acadia*): Yes, for the time being.

The CHAIRMAN: I have Mr. Deachman, Mr. Prittie, Mr. Watson, Mr. Pascoe, and Mr. Fisher:

Now, Mr. Deachman.

Mr. DEACHMAN: I want to ask Mr. Johnston about the trading in his stock. When he made his introductory remarks he referred to the rate at which his stock was traded on the exchange. Does he consider that to be a slow rate of turnover for stock of that nature?

Mr. JOHNSTON: It certainly has not been excessive in any one day. I do not need to classify this with mining stock at low prices where you get several thousand shares. But I think it might be rather on the light side for a major company.

Mr. DEACHMAN: Imperial Oil sells for around \$30 to \$35. Would it not be trading a good deal more?

Mr. JOHNSTON: Imperial is selling in the \$55 to \$57 range today.

Mr. DEACHMAN: On a comparative basis it would be trading more actively. Do you consider it essential to have a more accurate basis of trading on the exchange in order to finance the company?

Mr. JOHNSTON: We think it desirable, yes.

Mr. DEACHMAN: Do you think that the general purpose of this bill is to create a more active market on the exchange?

Mr. JOHNSTON: In order to provide wider participation.

Mr. DEACHMAN: And you think that this will provide wider participation.

Mr. JOHNSTON: Yes, sir.

Mr. HORNER (*Acadia*): I have a supplementary question. You have an established business in the field of transportation. There is nothing speculative about the company's operations. Why would it necessarily have an active trading on the stock market? It would not be as active as Imperial Oil which is doing a tremendous lot of exploration work which would make it far more speculative than an oil transportation business.

Mr. JOHNSTON: I do not think the word "speculation" enters into this company at all.

Mr. HORNER (*Acadia*): Exactly; I agree with that.

Mr. JOHNSTON: I think this is a business venture. I think an investor would want to invest in a company of that type.

Mr. HORNER (*Acadia*): You would have much slower trading on the stock market in regard to your shares because this is not a speculative company.



Mr. JOHNSTON: You certainly would not get it. The high priced stock moves at a wider range than the lower priced stock. It is all relative. With a stock at \$20 you may go up only one half a point, where you would go up a point and a half with a stock selling in the range of \$100. I think that I.B.M. is a good example. Its average trade is from 10 to 12 shares, but the stock itself sells at \$300 or something of that order.

The CHAIRMAN: Now, Mr. Deachman.

Mr. DEACHMAN: I have only one more question which flows out of the supplementary questions asked by Mr. Horner. Do you anticipate that many more Canadians would be investing in your company after the stock splitting than now invest in it?

Mr. JOHNSTON: We think that is true, and I think it has been shown by the history of companies which have split their stock.

Mr. KINDT: Can you give us a figure of Canadian participation in the present company?

Mr. JOHNSTON: Yes. We did mention it.

Mr. BLIGHT: Do you want the figures?

Mr. KINDT: Yes, if you have them, or the percentages.

Mr. BLIGHT: Again I refer to the 4,465,000 shares which are held by Canadians.

Mr. KINDT: What percentage is that?

Mr. BLIGHT: That is 88 per cent. If you take the shareholders, out of the 14,127 shareholders, 12,617 are Canadian.

Mr. KINDT: How do you classify the 33 per cent owned by Imperial, and the eight per cent owned by British American, with the 100,000 owned by other shareholders?

Mr. BLIGHT: That is in the figures that I have of Canadian shareholders. If you wish to extract the shares held by these three companies, you would have 2,140,000 shares held by three shareholders.

The CHAIRMAN: Now, Mr. Prittie.

Mr. PRITTIE: There was a question asked earlier about rate making and the right of the shippers to appear before the board of transport commissioners.

Mr. JOHNSTON: You mean the energy board.

Mr. PRITTIE: I would like to know who actually are the shippers? Are they the connecting pipe line companies?

Mr. JOHNSTON: No. The shippers are the people who own the refineries, who buy or own in one form or another the crude oil delivered to us, when we in turn deliver that oil to the refineries; and these refineries are located all the way along the line, as you can see from the little sketch map. They own the oil.

Mr. PRITTIE: How many shippers do you have?

Mr. JOHNSTON: I think there are about 22 or 23.

Mr. PRITTIE: How many of them own a substantial or any interest in your company?

Mr. JOHNSTON: Only three companies.

Mr. PRITTIE: Are you the owner or part owner of any of the connecting lines? The shippers would be obviously the owners of some of the connecting lines.

Mr. JOHNSTON: I believe that is true in some cases.

Mr. PRITTIE: What would British American own?

Mr. JOHNSTON: British American owns the little line down from Moose Jaw.

Mr. PRITTIE: But they are listed as having two.

Mr. JOHNSTON: Yes; that is the delivery point as far as we are concerned. We deliver the oil at Stony Beach, and we deliver down to that British American refinery at Moose Jaw with a line which is about 20 miles long.

Mr. SOUTHAM: According to the legend on the map you list 27. Does that make any difference in your evidence?

Mr. JOHNSTON: I said it was about that. I did not have the exact number in my mind.

Mr. PRITTIE: These are connecting pipe lines which are listed as 27. They are not the shippers?

Mr. JOHNSTON: There is one pipe line at Buckeye, and a pipe line in Michigan at Fort Huron. We deliver to Buckeye and they carry the oil down to the Toledo area to supply the Gulf refinery, Mobile, and Standard Oil. So I think there are three more shippers in that one area, when I say we have 25 shippers.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The question I wanted to ask came up earlier.

The CHAIRMAN: There are a number of people who indicated their desire to ask questions. I have Mr. Watson, Mr. Pascoe, and Mr. Fisher.

Mr. WATSON (*Assiniboia*): Is this the only pipe line which carries oil from western Canada? I know that the Trans-Mountain pipe line is a gas pipe line.

Mr. JOHNSTON: Completely, and this is a crude oil line.

Mr. WATSON (*Assiniboia*): This is only a crude oil line.

Mr. JOHNSTON: From west to east.

Mr. WATSON (*Assiniboia*): Going back to one of the original questions asked by Mr. Cameron in connection with the price of shares on June 10, 1964 at \$83 to \$85 and up to \$93, can you give us any indication of what it was in the year previous to that? What was it in June 1963 and in June 1964?

Mr. JOHNSTON: June, 1963, you mean?

Mr. WATSON (*Assiniboia*): Yes; the year previous to June 10, 1964.

Mr. JOHNSTON: I can tell you that in January, 1964, the stock had a high of 85 and a low of 80. I do not have the ranges for 1963. For 1963 I can give you the high which was 87 and the low which was 78.

Mr. WATSON (*Assiniboia*): That is in 1963?

Mr. JOHNSTON: Yes, sir; that is for the year.

Mr. WATSON (*Assiniboia*): Previously you told us how many shares each director held.

Mr. JOHNSTON: Yes, sir.

Mr. WATSON (*Assiniboia*): Which was not too many in amount. Can you explain the difference between common shares—I am not familiar with the share business—and other shares such as escrow shares; are there more shares held along this line?

Mr. JOHNSTON: No, sir. We have only one type of stock which has been issued, the five million share issue. That is the complete stock; there is no stock held in escrow. There are no more stock options; this is it.

Mr. WATSON (*Assiniboia*): You mentioned the previous stock option which was about 47,000 in the range of \$25 to \$53.

Mr. JOHNSTON: Yes, sir.



Mr. WATSON (Assiniboia): And this was up to 1964?

Mr. JOHNSTON: From 1954 to 1964.

Mr. WATSON (Assiniboia): Am I right in thinking that the people who bought these options in this range at that time had up to 1964 to exercise those options?

Mr. JOHNSTON: An option was granted to key employees: it was not widespread. This option was given to key employees and the entire option period was ten years. These options were granted each year in various volumes at the market price of the stock at the time the option was granted.

Mr. WATSON (Assiniboia): This was strictly to key employees.

Mr. JOHNSTON: Yes, sir.

Mr. WATSON (Assiniboia): Some of the 500 employees.

Mr. JOHNSTON: The younger engineers whom we wished to encourage and people who had contributed to the development of the company.

Mr. PASCOE: I believe it was brought out that the pipe line is 3,500 miles in length.

Mr. JOHNSTON: Two thousand miles, but there are about 3,500 miles of pipe in the line because it is looped in sections where we have double or triple lines.

Mr. PASCOE: What would you consider to be the service life of the pipe?

Mr. JOHNSTON: The figure is not determined. Several studies have been made on the life of pipe line in the ground. Varying studies have been made by the testing laboratories. It all depends on the type of pipe, the protection given to the pipe in the way of wrapping, and the type of soil in which the pipe is laid. Pipe lines have been laid in the ground for 40 years which were raised, cleaned up, and found to be in fine shape; other pipe lines have deteriorated in a matter of two or three years.

Mr. PASCOE: Which pipe do you use?

Mr. JOHNSTON: Thirty year life.

Mr. PASCOE: Is it of Canadian manufacture?

Mr. JOHNSTON: Yes, sir. We are using Canadian pipe today. In the very early stages we had to buy some pipe in the United States.

Mr. PASCOE: Where in Canada is the pipe manufactured?

Mr. JOHNSTON: At Welland Tubes. This year our pipe will come from Welland Tubes in Welland, or from Camrose.

Mr. PASCOE: If you had to replace some of the pipe or if you were to build more line, would you have to pay the 11 per cent tax on building materials and production machinery?

Mr. JOHNSTON: I do not think we are in this category.

Mr. PASCOE: It would not apply?

Mr. JOHNSTON: I do not think so.

Mr. FISHER: For the years 1963 and 1964, would you tell us what the dividends of the company represented as a percentage of the average share value?

Mr. JOHNSTON: You mean what the return would be?

Mr. FISHER: Yes.

Mr. JOHNSTON: It was 3.20 last year. In 1963 the stock was selling in the 80's, so it would be something in the order of about 3.7 or 3.4.

Mr. FISHER: About 4 per cent. As you can imagine, like a number of my colleagues, I do not know much about stocks and shares. However, as I understand it, persons investing in shares run to things in which they are interested; one is the dividend.



Mr. JOHNSTON: Primarily.

Mr. FISHER: And the other is the increment, which comes in the increase in the stock value. I would feel much better if your explanatory notes were more clear. You might say that the propaganda line is a little like what people's capitalists say. One of the most likely consequences out of the share split is that there will be a surge of interest in purchasing so the value of the shares will go up and in effect the people who at present own the shares are likely to get an advantage out of the increment.

Mr. JOHNSTON: Of course, this return depends on the price you pay for the stock, whether you buy it today or ten years from now, I suppose. I would think that this stock in a reputable company is no different from an investment which you might make in General Motors, Massey-Harris, or anything else; naturally, it is hoped that there would be some appreciation in the stock, and if you bought it now at \$10 and ten years from now it is selling at \$20, your return would be considerably different.

Mr. FISHER: Let me give you an example. I am larger, say, than the ordinary person, and quite often I have noticed I am in a competitive situation with the smaller person. There tends to be a feeling of the big bully and the good little fellow.

Mr. MACDONALD: That is not true.

Mr. FISHER: In this explanatory note there seems to be a suggestion that there is some great virtue in the small investor and something wrong in the big investor. I would like to have things flat and on the line. I do not think it matters a darn whether it is a big investor or a small investor; it seems to me one of the reasons for a share split is the advantage to the company and the people who presently have the shares. I would like to see this put on the line instead of it coming in with the people's capitalists propaganda. I am sure you are aware that some persons in our party would like to change some of the rules of the game, but because we are not in power I am content to let it go along as it is for now. I appreciate frankness and I feel, although you may have been frank in the introduction, that the explanatory note is too glorious.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How many of the 5,047,000 shares of your company still are in the hands of the original subscribers?

Mr. JOHNSTON: We could not possibly trace the turnover in stock by individuals unless we had a stock list for every year.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I imagine you have a record and I would think you would have it fairly clear in your mind, at least in respect of the big blocks of stock.

Mr. JOHNSTON: Oh, yes. I did not understand your question.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is the whole picture I would like to have, but I suspect this would cover a lot of it.

Mr. JOHNSTON: In the three big major shareholders there has been no change.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How many shares do they account for?

Mr. JOHNSTON: Two million and one.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What about the others?

Mr. JOHNSTON: There has been some fluctuation in the 37 shareholders who own more than 10,000 shares.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There have been fluctuations?

Mr. JOHNSTON: There have been increases and decreases. In that 37 the sizeable ones are investment trusts and pension plans. As an example, the C.P.R. pension fund recently apparently has taken an interest in the Inter-provincial stock and has purchased a rather sizeable amount of shares. I would say that two years ago they were not even in the picture.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would it be safe to say that the majority of the five million shares have not changed hands since your company was organized?

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Therefore the trading on the stock market is a peripheral operation and leads one to suggest it may be stimulated.

Mr. KORCHINSKI: I have a question very similar to the one asked by Mr. Fisher. At the present time the stocks are valued at \$93. Am I right in assuming, if your split came about, that the stocks would sell at \$18.60?

Mr. JOHNSTON: In that range—\$18.90.

Mr. KORCHINSKI: You also show concern over the fact that there was not enough trading in the stock. So, if there were greater participation it would be natural to assume that the stock value would go up quite rapidly, for a while anyway.

Mr. JOHNSTON: I would not say that.

Mr. KORCHINSKI: If there is a greater participation there must be a greater interest. There may be people like myself who do not follow the stock market too closely. However, I would wonder what is going on. I do not know the president, but I want to see if this is a place where I might make some money. Therefore if the stock value went up by \$2—this is not too much to expect, is it—as a result of the active participation, then it could be assumed, if it went up \$2, that anybody holding stock now, because it is not trading very actively, could make \$10 for every share.

Mr. JOHNSTON: If he sold it.

Mr. KORCHINSKI: This is true if he wanted to sell it. If the stock was at a market price, there would be greater participation and perhaps more speculation.

Mr. JOHNSTON: I do not like the word "speculation" particularly.

Mr. FISHER: Investment is a nicer word.

Mr. KORCHINSKI: Somebody might be speculating and on the other hand somebody might be investing.

Mr. JOHNSTON: Personally, I would say that the answer to your question is supply and demand. If your general price indices, or whatever you want to take, go up—and so far as we know that has been the case in the last few years—the stock has gone along with the trend.

Mr. KORCHINSKI: If there was a growth in the stock, anybody who presently owned stock would stand to make a profit.

Mr. JOHNSTON: It certainly is not my position to forecast the movement in the stock market. I never have been very successful in it.

Mr. KORCHINSKI: I think it is a fair assumption to say that if there is more active trading it would go up.

Mr. KINDT: A split in the shares would facilitate the work of the manipulators in sucking the public in and unloading on them; there is no question about that. The exchange has someone sponsor that stock, if it is active; you know that. If you do not, you do not know much about the stock market.

The CHAIRMAN: Are there any further questions?



Mr. COWAN: In answer to Mr. Pascoe earlier I think you said the employees held the magnificent total of 11,000 shares now.

Mr. JOHNSTON: That is approximately correct. I have the exact figures, if you wish it.

Mr. COWAN: That is all right. I liked Mr. Fisher's statement when he used the word "glorious". You told us the employees owned 11,000 shares and later you said that the Shell Oil Company holds 100,000 shares, and that that was not extravagant for a major shareholder.

Mr. JOHNSTON: I think the point was made that Shell has a big participation in this company. I would not say that is a very great share.

Mr. COWAN: In view of the fact that 100,000 shares are not extravagant and the employees have this magnificent total of 11,000 shares, it would seem that the employees do not have a very big whip in this \$5 million share company. That is all I wished to say.

Mr. FISHER: Is there any other company, for example Imperial Oil, which effectively controls, say, the appointments to the board of directors, or the managerial appointments of Interprovincial?

Mr. JOHNSTON: No. As I stated earlier, 57 per cent of the stock is owned by the public. Imperial has three directors, which is equivalent to one third of the total board.

Mr. FISHER: You mentioned the C.P.R. Has there been any movement on the part of any of the investment organizations, such as Mutual or Investors Syndicate, to invest in your stock on a fairly large scale?

Mr. JOHNSTON: Yes, sir.

Mr. FISHER: I have always wanted to find out what role those fund groups play.

Mr. JOHNSTON: Absolutely none, sir. We would not even know they were shareholders unless we examined their statements.

Mr. FISHER: They would have no influence at all on appointments to the board of directors or anything like that?

Mr. JOHNSTON: Absolutely not. At least I can say they never have asked for a position on the board.

Mr. FISHER: And they would not forward proxies to any particular director if there should be a vote.

Mr. JOHNSTON: We certainly never have had that occasion arise.

Mr. FISHER: Could you indicate whether or not there has been any trend; you mentioned investment by the C.P.R. coming into the picture. Has there been any trend for these large holding companies or agencies representing mutual funds to move into your stock?

Mr. JOHNSTON: Yes, that has happened. As you know, in recent years these funds have had a very considerable amount of money. They have invested in this stock undoubtedly as a judgment on their part that it is a sound investment for providing them with a reasonable return. In some cases they have disposed of a certain percentage of their holding when their portfolio came out of balance. I believe that is perfectly normal in any investment trust. I think it has been an attractive issue for that type of investor, with the money they have had to invest in the Interprovincial stock.

Mr. FISHER: I ask this question sort of in anticipation of a share split. When the share split comes, it would seem to me that the major purchasing on the stock market is done by organizations and groups like this—I take it this is the case—rather than the small investor.



Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They will not have very much to pick up.

Mr. KINDT: They will mark the shares up and unload them on the public, and they have to have the public in there to do that.

Mr. FISHER: Well, Mr. Chairman, I do not want to cast an invidious shadow over this.

The CHAIRMAN: Have you a question, Mr. Pascoe?

Mr. PASCOE: Yes. Mr. Fisher mentioned the C.P.R. My question is probably a hypothetical one. There have been reports of shipping commodities by capsules through pipe lines. Could your pipe line accommodate such a delivery?

Mr. JOHNSTON: Are you referring to this one?

Mr. PASCOE: Yes.

Mr. JOHNSTON: No, not at the present stage of development.

Mr. PASCOE: I realize my question was hypothetical.

Mr. JOHNSTON: There is a very interesting and fascinating study going on now in respect of shipments by capsule through pipe lines. It has not been perfected to date but I do imagine that within the next few years progress will be made in that field.

Mr. PASCOE: Could the same pipe line be used in that connection?

Mr. JOHNSTON: No, sir.

The CHAIRMAN: Have you a question, Mr. Horner?

Mr. HORNER (*Acadia*): Perhaps this information already has been given to the committee but, bearing in mind the whole purpose of this bill is to encourage more small Canadians into this business I would like to know the growth of the number of shareholders of this company over the past five or six years. The shares are selling at \$93 now, but they have been at \$85, and were for some time.

Mr. BLIGHT: I am reading backward from 1963. In 1963 there were 12,700; 1962, 12,600; 1961, 12,300; 1960, 11,800; 1959, 11,900; 1958, 12,100.

Mr. HORNER (*Acadia*): Well, this shows no growth whatsoever in the number of shareholders and, practically speaking, this does not at all substantiate your case.

Mr. BLIGHT: The price has been rather high, sir.

Mr. HORNER (*Acadia*): Well, let us go back to the year when prices were low, without going back into the founding years of the company.

Mr. BLIGHT: Well, I think you would have to go back to the founding years.

Mr. HORNER (*Acadia*): Why not go back to 1954 or 1955.

Mr. BLIGHT: In 1954 there were 8,000 and in 1955, 8,700.

Mr. HORNER (*Acadia*): What would the average price of the share be in 1954?

Mr. BLIGHT: In 1954, a high of 31.3 and a low of 20; 1955: 30 and 25.

Mr. HORNER (*Acadia*): And there was a release of more shares after 1954?

Mr. BLIGHT: No, in 1963.

Mr. HORNER (*Acadia*): I am substantiating my argument rather than yours; the number of 8,000 shareholders in 1954 does not indicate to me there has been a tremendous growth of shareholders in the last ten years.

To my way of thinking I am hesitant in believing that this share splitting will have a tendency to increase the number of shareholders. I think all that

will happen is that the present shareholders will be the ones to reap the benefits of share splitting.

Mr. KINDT: Obviously.

Mr. JOHNSTON: May I mention the history of Abitibi, as an example?

Mr. HORNER (*Acadia*): Yes.

Mr. JOHNSTON: At the end of 1963, before the subdivision had had time to become effective, Abitibi had 19,488 shareholders; after the subdivision this was increased in 1964 to 25,476, an increase of 6,000 shareholders.

Mr. HORNER (*Acadia*): But, if I understand it, Abitibi is not a good comparison because it is in a more or less different line of activity altogether.

Mr. JOHNSTON: That is true, but it does give an indication.

Mr. HORNER (*Acadia*): It is not in the transportation field.

Mr. JOHNSTON: Trans-Mountain is another example, which I noted earlier.

Mr. HORNER (*Acadia*): Well, in my mind that would be a better comparison than Abitibi.

The CHAIRMAN: Have you a question, Mr. Cowan?

Mr. COWAN: Reference has been made to Trans-Mountain and there are very interesting figures in respect of the change in the number of shareholders. Did the control of the company change during the same time?

Mr. JOHNSTON: Not as far as I know.

Mr. COWAN: Nor as far as I know.

The CHAIRMAN: Would you like to put your figures on the record in respect of Trans-Mountain?

Mr. JOHNSTON: Mr. Chairman, that split was in 1957 and in 1956, before the split, there were 5,521 shareholders; in 1957 it went up to 7,027.

Mr. FISHER: What about the price of the stock?

Mr. JOHNSTON: I have that as well. The stock was selling at a high of \$97 and a low of \$75 in November, 1956; one year later it went down to \$70 and \$57.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This was after the split?

Mr. JOHNSTON: No, this was the interim period between the application and the time the actual split was made. The split was made in September, 1958.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is what I thought.

Mr. JOHNSTON: At that time the price was \$64 high and \$59 low.

Mr. FISHER: That was a five for one split?

Mr. JOHNSTON: Yes. It came out at about \$13, I believe, and then in November it was down to \$9.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Have you anything subsequent to that?

Mr. JOHNSTON: I do not have anything here.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understand it is \$21 now.

Mr. JOHNSTON: I think it is \$21 or \$22.

Mr. WAHN: It is \$21 now; it was \$14.

Mr. FISHER: There is a gain but it is nothing fantastic.

The CHAIRMAN: Are there any other questions?

Mr. FISHER: Mr. Johnston, I would like to ask whether or not you would be agreeable to filing for our records the list of the thirty-seven major shareholders.

Mr. JOHNSTON: Yes.

Mr. FISHER: In this way it would form part of our record.

The CHAIRMAN: If there are no further questions, does the preamble carry? Preamble agreed to.

The CHAIRMAN: Shall clause 1 carry?

On clause 1—*Subdivision of capital stock.*

Mr. HORNER (*Acadia*): No, I do not think it will carry.

Mr. FISHER: The chairman is just putting the question.

Mr. HORNER (*Acadia*): I am opposed to it.

Mr. FISHER: Mr. Chairman, may I put one more question before you proceed? Is my understanding correct that this will not come back in for a third reading until the evidence has been printed?

Mr. BURGESS: Mr. Chairman, due to the situation in parliament at the moment we propose to have the sponsor of the bill ask for a third reading this afternoon.

Mr. FISHER: You will be stacked up behind the Bank of Western Canada, Laurentide and so on.

Mr. JOHNSTON: There is nothing very new about that, sir.

Mr. WAHN: Mr. Chairman, may I say that if this bill were passed by the committee I, as sponsor of the bill, propose to ask for unanimous consent of the house to consider it in committee of the whole this afternoon. I believe if that unanimous consent were given that it would go ahead of the other bills now on the order paper. But, of course, it would depend upon unanimous consent of the house. Because of the shortage of private members hours I hope that unanimous consent would be given, if this bill is approved in committee.

Mr. FISHER: I am glad to have that knowledge.

The CHAIRMAN: Shall clause 1 carry?

Mr. HORNER (*Acadia*): No.

Mr. KINDT: No. I think this should be hoisted until we have more information.

The CHAIRMAN: Has anyone a motion to put?

Mr. STEWART: Presumably this is an assumed motion?

Mr. Chairman, before we proceed with the actual vote on this it would appear to me that a lot of criticisms directed toward this company are really criticisms directed against stock marketing in general and against private enterprise.

Mr. HORNER (*Acadia*): Go on.

The CHAIRMAN: Order.

Mr. HORNER (*Acadia*): Well, if you are going to allow him to make a speech I am going to make one too.

Mr. FISHER: Give Mr. Stewart an opportunity to speak; he does not have many such opportunities.

Mr. STEWART: It may well be that these general criticisms are valid but it seems to me rather unreasonable to take it out on this particular company which, because of its legal position, has to come before parliament for specific action in this connection. Now, it has been pointed out if it were not for the particular legal position it could have proceeded in a formal way. I do not think anyone should vote against this unless they are prepared to follow through, as I think Mr. Cameron is, to the logical conclusions implied by voting against this bill.

The CHAIRMAN: Shall clause 1 carry?



Mr. HORNER (*Acadia*): Mr. Chairman, just before you put the question I would like to say one or two things. I am opposed to this proposed bill but not on the grounds that I am a socialist or that I have socialistic leanings, as implied by the previous speaker. I am a free enterpriser and I firmly believe in such. But, no one here has convinced me that share splitting is a necessity. No one here has convinced me that the small Canadian in the peoples' republic, as Mr. Fisher mentioned—

Mr. FISHER: I did not use that expression; I said peoples' capitalists.

Mr. HORNER (*Acadia*): I know the phrase you used but I applied it the other way. No one has convinced me it is a direct aim of the company to try and help the small Canadian; I think they are trying to help themselves. This is a monopoly. With great deference to the previous speaker it is my duty to make my thoughts known. Monopolies are fine but in a private enterprise system we who believe in freedom of enterprise must guard against monopolies and scrutinize them very carefully. This is what I am doing by voting against it.

Mr. FORBES: Is the principle behind this request to encourage more Canadian participation in this company?

Mr. HORNER (*Acadia*): No, not necessarily at all.

The CHAIRMAN: I am going to put the question. All those in favour of clause 1? All those against?

I declare the clause carried.

Clause 2 agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Mr. HORNER (*Acadia*): No.

The CHAIRMAN: On division?

Mr. HORNER (*Acadia*): On division.

The CHAIRMAN: Shall I report the bill?

Some hon. MEMBERS: Agreed.

## APPENDIX "C"

## INTERPROVINCIAL PIPE LINE COMPANY

SHAREHOLDERS AND SHARES HELD AS AT DECEMBER 31, 1964

Country	Shareholders		Shares	
Canada.....	12,617	89%	4,464,917	88%
United States.....	1,343	10	563,647	11
Others.....	167	1	58,718	1
	<u>14,127</u>	<u>100%</u>	<u>5,087,282</u>	<u>100%</u>

PRINCIPAL SHAREHOLDERS  
(Those holding 10,000 shares or more)

Imperial Oil Limited.....	Toronto	Ont.	1,680,000
British American Oil Company Limited.....	Toronto	Ont.	360,000
Gilbert Securities Limited.....	Montreal	Que.	183,218
Investors Mutual of Canada Limited.....	Winnipeg	Man.	126,500
Shell Canada Limited.....	Toronto	Ont.	100,000
Roycan & Co. No. 1 A/C.....	Montreal	Que.	65,968
Bankmont & Co.....	Montreal	Que.	57,389
Monray & Co.....	Montreal	Que.	50,466
Dif & Co.....	Boston	Mass.	38,000
Brant Investments Limited.....	Toronto	Ont.	38,470
Canadian Pacific Railway Company (Pension Fund).....	Montreal	Que.	32,720
Commonwealth International Corp. Ltd.....	Montreal	Que.	30,000
Moneus & Co.....	Montreal	Que.	28,398
Adams & Peck.....	New York	N.Y.	28,106
Lake & Co.....	Toronto	Ont.	28,000
Bessemer Securities Corpn.....	New York	N.Y.	25,788
Bear Stearns & Co.....	New York	N.Y.	23,420
Royjames & Co.....	Montreal	Que.	20,937
Max Tanenbaum.....	Toronto	Ont.	20,720
Investors Growth Fund of Canada Limited.....	Winnipeg	Man.	18,715
Harvard & Co.....	Boston	Mass.	16,825
Hill & Company.....	Boston	Mass.	15,180
Calgary & Edmonton Corporation Limited.....	Calgary	Alta.	15,000
Jenkins & Co.....	New York	N.Y.	13,971
Haldor & Co.....	Boston	Mass.	13,285
Roytor & Co. No. 1 A/C.....	Toronto	Ont.	13,128
The Canada Life Assurance Co.....	Toronto	Ont.	13,000
Montreal Trust Company A/C T59.....	Toronto	Ont.	13,000
Prescott & Co.....	Boston	Mass.	12,000
Employees Savings Plan—Interprovincial.....	Edmonton	Alta.	11,820
Gee & Co.....	Toronto	Ont.	11,740
Dominick Corporation of Canada.....	Montreal	Que.	11,734
McMullen & Hard.....	New York	N.Y.	10,773
W. J. J. Butler.....	Toronto	Ont.	10,200
Canada Permanent Trust Company.....	Montreal	Que.	10,000
Canadian General Investments Limited.....	Toronto	Ont.	10,000
Lynn & Co.....	New York	N.Y.	10,000

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

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STANDING COMMITTEE

ON

RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

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Tuesday, March 23, 1965

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Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

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WITNESSES:

From the *Port of Halifax Commission*: Mr. J. W. E. Mingo, Chairman, and Mr. Ray March, Executive Secretary; From the *National Farmers Union of Canada*: Mr. Roy Atkinson, President, and Mr. James N. McCrorie, Research Director.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard,  
*Vice-Chairman:* Joseph Macaluso,  
and Messrs.

Addison	Guay	McBain
Armstrong	Gundlock	McNulty
Balcer	Hahn	Millar
Basford	Hamilton <sup>(1)</sup>	Mitchell
Beaulé	Horner ( <i>Acadia</i> )	Muir ( <i>Lisgar</i> )
Berger	Howe ( <i>Wellington-</i> <i>Huron</i> )	Nugent
Boulanger	Kindt	Olson
Cadieu	Korchinski	Orlikow <sup>(2)</sup>
Cameron ( <i>Nanaimo-</i> <i>Cowichan-The Islands</i> )	Lachance	Pascoe
Cantelon	Laniel	Prittie
Cantin	Latulippe	Rapp
Cowan	Leblanc	Regan
Crossman	Legault	Rhéaume
Crouse	Lessard ( <i>Saint-Henri</i> )	Rideout ( <i>Mrs.</i> )
Deachman	Lloyd	Rock
Fisher	MacEwan	Southam
Forbes	Macdonald	Stenson
Granger	Marcoux	Stewart
Grégoire	Matte	Tucker
		Watson ( <i>Assiniboia</i> )—60.

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee.*

<sup>(1)</sup> On March 19, 1965, Mr. Hamilton replaced Mr. Pugh.

<sup>(2)</sup> On March 11, 1965, Mr. Orlikow replaced Mr. Winch.

## ORDERS OF REFERENCE

THURSDAY, March 11, 1965.

*Ordered*,—That the name of Mr. Orlikow be substituted for that of Mr. Winch on the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, March 15, 1965.

*Ordered*,—That the name of Mr. Hamilton be substituted for that of Mr. Pugh on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,  
*The Clerk of the House.*





## MINUTES OF PROCEEDINGS

TUESDAY, March 23, 1965.

(32)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:40 a.m. this day. The Vice-Chairman, Mr. J. Macaluso, presided.

*Members present:* Mrs. Rideout and Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan, Crouse, Forbes, Howe (*Wellington-Huron*), Legault, Lloyd, Lessard (*Saint-Henri*), Macaluso, MacEwan, Millar, Mitchell, Pascoe, Prittie, Regan, Rock, Southam, Stenson, Stewart, Tucker, Watson (*Assiniboia*)—(24).

*In attendance:* From *Port of Halifax Commission*; Messrs. J. W. E. Mingo, Chairman; Ray March, Executive Secretary; From the *National Farmers Union*; Messrs. Roy Atkinson, President; James N. McCrorie, Research Director; From *Canadian Pacific Railways Company*; Mr. K. D. M. Spence, Q.C., Commission Counsel; From the *Department of Transport*; Mr. H. B. Neilly, Chief Economist, Railways and Highways Branch; From *Maritimes Transportation Commission*; Mr. Craig S. Dickson; From the *Department of Agriculture*; Mr. J. W. Channon.

The Committee resumed its consideration of Bill C-120.

The Chairman suggested that a motion should be made in order to have all the briefs sent to the Committee printed as appendices to the evidence whether or not the witnesses are heard.

Thereupon, on motion of Mr. Prittie, seconded by Mr. Forbes,

*Resolved*,—That the texts of the briefs submitted by individuals or associations invited to appear before this Committee, and who did not have an opportunity to appear, be printed as appendices to the Minutes of Proceedings and Evidence of the last regular meeting of this Committee.

The Chairman introduced Mr. Mingo, Chairman of the Port of Halifax Commission and Mr. Ray March, Executive Secretary.

Mr. Mingo read extracts from a prepared statement which had been distributed in English to the members of the Committee. He apologized for the delay incurred in releasing the French version. (The said version was available at the end of the meeting).

The witnesses were examined.

On motion of Mr. Tucker, seconded by Mrs. Rideout,

*Resolved*,—That the brief from the Port of Halifax Commission be printed as an appendix to today's proceedings (*See Appendix "D"*).

On motion of Mr. Stewart, seconded by Mr. MacEwan,

*Resolved*,—That Exhibits I, II, III, IV and V, submitted by the Department of Transport be printed as appendices to this day's proceedings (*See Appendix "E"*).

The witnesses were retired and the Chairman thanked them for their appearance.

The Chairman introduced Mr. Atkinson, President, National Farmers Union and Mr. James N. McCrorie, Research Director.

Since the brief from the National Farmers Union had just been made available to the Committee, some Members suggested that the hearing and examination of the witnesses be postponed until later this day.

Mr. Howe (*Wellington-Huron*), seconded by Mr. Forbes, moved: That the Committee adjourn until the afternoon to consider the brief of the National Farmers Union.

After discussion, the question was put on the said motion and it was resolved in the negative, YEAS: 6; NAYS: 7.

Mr. McCrorie read a prepared statement which had been distributed in English to the members of the Committee. He apologized for not having a French version available.

On motion of Mr. Tucker, seconded by Mr. Southam,

*Resolved*,—That the brief of the National Farmers Union of Canada be reproduced as an annex to today's proceedings. (*See Appendix "F"*).

At 12:00 noon, the Chairman announced that on Thursday, March 25th the witnesses would be Canadian Manufacturers Association and Branch Line Association of Manitoba, and on March 30 Canadian Industrial Traffic League and Maritime Transportation Commission, the National Legislative Committee, International Railway Brotherhoods.

It being 12:00 o'clock noon, the Committee adjourned until 3:30 p.m. this day.

## AFTERNOON SITTING

(33)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 3:55 p.m. this day. The Vice-Chairman, Mr. J. Macaluso, presided.

*Members present*: Mrs. Rideout and Messrs. Basford, Berger, Cadieu, Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan, Crossman, Crouse, Deachman, Forbes, Hahn, Hamilton, Kindt, Korchinski, Legault, Lessard (*Saint-Henri*), Lloyd, Macaluso, Macdonald, MacEwan, Matte, McNulty, Millar, Mitchell, Muir (*Lisgar*), Pascoe, Prittie, Rapp, Regan, Southam, Stewart, Tucker, Watson (*Assiniboia*) (35).

*In attendance*: From *National Farmers Union*: Messrs. Roy Atkinson, President, James N. McCrorie, Research Director; From *Canadian Pacific Railways Company*: Mr. K. D. M. Spence, Q.C., Commission Counsel. From the *Department of Transport*: Mr. H. B. Neilly, Chief Economist, Railways and Highways Branch; Mr. D. C. Blair, *Province of Saskatchewan* and Mr. Alastair MacDonald, Q.C.

The Committee resumed its consideration of Bill C-120.

Mr. Atkinson and Mr. McCrorie were further examined.

The witnesses were retired and the Chairman announced the order of business of the next meetings.

Thursday, March 25, Canadian Manufacturers Association, Toronto, Ontario (Mr. A. R. Treloar, Man., Director Transportation Department). Branch Line Association of Manitoba, Winnipeg, Manitoba, (Mr. Remi Depape, President).

Tuesday, March 30, Canadian Industrial Traffic League, Toronto, Ontario. (Mr. R. Eric Gracey, General Manager). Maritime Transportation Commission, 35 Bedford Row, Halifax, N.S. (Mr. A. G. Cooper, Q.C.). The National Legislative Committee, International Railway Brotherhoods, Room 39, CLC Building, 100 Argyle Avenue, Ottawa 4, Ontario. (Mr. A. R. Gibbons, Secretary).

At 5:30 p.m., the Committee adjourned until Thursday, March 25, 1965, at 9:30 a.m.

Marcel Roussin,  
*Clerk of the Committee.*





## EVIDENCE

TUESDAY, March 23, 1965.

The VICE CHAIRMAN: Madam and gentlemen, we have a quorum. I think perhaps we should start because we have two delegations with us this morning, one from the Port of Halifax Commission and the other from the National Farmers Union of Saskatchewan. However, before commencing I would like to place before you a motion that will be required and I shall read it:

Resolved—That the texts of the briefs submitted by individuals or associations invited to appear before this committee, and who did not have an opportunity to appear, be printed as appendices to the minutes of proceedings and evidence of the last regular meeting of this committee.

The motion should be included in the minutes of the committee. Could I have a motion?

Mr. PRITTIE: I so move.

Mr. FORBES: I will second the motion.

Motion agreed to.

The VICE CHAIRMAN: Now, gentlemen, we have with us first of all the chairman and executive secretary of the Port of Halifax Commission; Mr. J. W. E. Mingo, the chairman, and Mr. Ray March, the executive secretary. We have a brief submitted by the Port of Halifax Commission both in English and in French. The French edition will not be here until later this afternoon as it is being printed.

Mrs. RIDEOUT: Go on then.

The VICE CHAIRMAN: We will commence then, gentlemen. Mr. Mingo is on my right and Mr. March is on his right. You can commence, Mr. Mingo, with your brief.

Mr. J. W. E. MINGO (*Chairman, Port of Halifax Commission*): Thank you very much, Mr. Chairman. Mrs. Rideout and gentlemen, the Port of Halifax Commission, I might explain, is a body corporate financed by the city of Halifax to promote the interests of the port. It is a small commission. Mr. March is our only full-time employee. All the other members of the commission are amateurs and as such we make no claims to expertise on the question of railway freight rates. I would like you to bear that in mind during the course of the presentation. We have very strong views on the subject, as will be evident from what we have to say. We will do our best to handle any questions that may be directed to us and indeed if we are unable to answer the questions now we will undertake to answer them later.

I wish to make it particularly clear at the outset that we do not claim to be experts or even students of the subject of freight rates. However, as citizens of the maritimes, we are affected very much by freight rates and we have a deep concern about them.

Now on behalf of the Port of Halifax Commission, I would like first of all to thank you for this opportunity to make this presentation. We were very impressed by the rapidity with which our application was accepted and, as a matter of fact, our brief was completed on Friday in English and completed yesterday in French. Unfortunately, owing to stencil difficulties, it was not

available to take with us when we left. They worked all night on it and we received instructions this morning that the requisite number of copies in French had been placed on the aircraft at 8 o'clock this morning and will be arriving here in Ottawa at 11 a.m. We have made arrangements for a taxi to meet it at the airport and we are hopeful that it will be here before noon and perhaps before the adjournment.

Now with your permission, Mr. Chairman, I would like to proceed by reading a summary of the submission that we wish to make, interspersing the summary with some comments from time to time and then reading selected passages from the brief. I do not propose to read the whole brief as it is available to you. However, I would like to have the opportunity, if I may, to proceed in this fashion so that the record will contain the full submission that we wish to make.

Now our first point and really a summary of our submission is that while Bill No. C-120 also deals with branch line abandonments, passenger deficits and grain rates, this submission is concerned solely with freight rates and rate making. We will not undertake to discuss any other subject.

Both the MacPherson royal commission in its report and the staff of the Department of Transport in its evidence before this committee—and I am quoting now from volume II of the MacPherson royal commission report on page 216:

—drew a clear distinction between the objectives of the national transportation policy, which were deemed to be efficiency and economy in the transportation system, and the objectives of a national policy which uses transportation to achieve economic development, political unity, social welfare or any other purpose.

Both the commission and the Department of Transport staff went on to make it plain that the recommendation of the report and the provision of Bill No. C-120 were confined to the implementation of the national transportation policy and did not, at least with respect to the maritime provinces, purport to implement any so-called national policy. Many features of the bill, like the preservation of the Crowsnest pass rates, reflect no doubt the effort to reconcile the two policies with respect to other regions of the country. With respect to the maritimes, our understanding is that the bill does not purport to implement any so-called national policy. Such a national policy in the maritimes was implemented in 1927 by the passage of the Maritime Freight Rates Act following the report of the Duncan royal commission. To be more precise, the policy was originally conceived at the time of confederation and implemented upon the opening of the International Railway. Basically speaking, this policy is that the rail rates which should prevail within the maritime provinces and on hauls overland from the maritime provinces to central Canada should be lower than those prevailing in the central region of the country.

Now, the Port of Halifax Commission believes that insufficient evaluation has been made of:

(1) The extent to which this national policy is being implemented today by the Maritime Freight Rates Act, having regard to the change in the maritime economy and the transportation industry which have occurred since 1927.

(2) The extent to which, having regard to such changes, this national policy, as originally conceived, is adequate today.

(3) The extent to which the objectives of this national policy, either as conceived in 1926 or as it should be reformulated today, would be prejudiced by the enactment of Bill No. C-120 in its present form.



I should point out that the submission on this subject was made to both the Gordon royal commission and the MacPherson royal commission. The Gordon royal commission recommended that the subject should be pursued and further investigated. The MacPherson royal commission recognized the problem and considered the subject outside its terms of reference. The point to be noted is that the subject has not been pursued and further investigated by either of these commissions. The Port of Halifax Commission further believes that the development of secondary industries in the maritime provinces is the key to the solution of unemployment and standard living problems in this region. We think the cost of transportation to and from central Canada is probably the principal obstacle to the development of such industry. Hence, the port concludes that a royal commission should be appointed as soon as possible to perform the very task which the MacPherson Royal Commission held was outside its terms of reference; namely, the significance of transportation to the development of the maritime economy today, the national policy which the federal government should be pursuing in this area today, and the effect on this policy of the provisions of Bill No. C-120. Until the findings of this commission are available for study, the application of Bill No. C-120 to the maritime provinces should be suspended. In essence, this is what we are asking for.

Now, what is the significance of transportation in respect of the maritimes? Much has been heard, and much has been done lately, about what has been called the lack in the development of the Atlantic provinces in contrast with the rest of the country. The general consensus of thinking appears to hold that while our primary industries will become more efficient and more productive, they will not employ a significantly greater number of people and that consequently our main hope of employing and retaining the substantial majority of the people who are growing up and being educated in the maritimes today lies in the development of secondary manufacturing industries.

The cost of transportation to and from central Canada is one of the principal reasons secondary manufacturing industries in the maritimes have not developed at the same rate as elsewhere. So long as the trade and tariff policies in this country remain constituted as they are, the cost of transportation, in the opinion of the Port of Halifax Commission, will persist as a major economic problem of the region. It is, of course, the major problem of the port of Halifax. Winter navigation on the St. Lawrence, the St. Lawrence seaway, and every other transportation development which is taking place in other regions of the country would have no effect whatsoever on our export-import traffic if some reduction could be secured in the railway freight rates for the overland haul between Halifax and central Canada. In this regard I would like to point out that the Maritime Freight Rates Act has no application at all to this traffic.

What is the general situation? The maritimes are what the MacPherson Royal Commission called an area of significant monopoly for the railways, with the result that the several horizontal freight rate increases authorized during the 15 years immediately following the last war were implemented to a greater extent here than in other parts of Canada where transportation is more competitive.

Let me develop that point for a moment. During the period 1948-58, the class rates applicable in Nova Scotia were increased by more than 157 per cent. The Maritime Freight Rates Act, as enacted in 1927, provided for a reduction of 20 per cent; as amended in 1957, this reduction was increased to 30 per cent. As the reduction applies only to class rates, the philosophy of this act was to restore to the shippers in the maritimes the favourable advantage which they had enjoyed on the Intercolonial Railway up until ap-

proximately 1912. In short, it was intended that the rates be lower than those that prevail elsewhere in Canada.

However, as a result of these horizontal freight rate increases, as a result of the movement of traffic elsewhere in Canada, and as a result of the agreed charges or competitive rates which the railways were permitted to give, the differential was thrown out of line entirely with the result that instead of the rates in the maritimes being lower than elsewhere in Canada, they were lower than the class rates elsewhere in Canada, but were not lower than the rates on traffic moving to elsewhere in Canada; the differential disappeared.

Although no governmental study has been made of the matter, it is clear from the work done by the Maritime Transportation Commission that this development went a long way towards defeating, and in many instances defeating entirely, the objectives of the Maritime Freight Rates Act. Again, although no governmental study has been made of the matter, it is difficult to believe that the objectives of the Maritime Freight Rates Act and the national policy which it purports to implement do not require some investigation, having regard to all that has taken place since this was originally conceived in 1927.

For these reasons it is the opinion of the Port of Halifax Commission that both these matters should be the subject of an immediate inquiry by a federal royal commission and that in future such an inquiry should be repeated every ten years, as is done in the case of the Bank Act.

What is our apprehension over the general bill? In the context of what has been said about the significance to the maritime economy of the cost of overland transportation to and from central Canada, it should not be difficult to understand the apprehension with which citizens of this area face the proposed amendments to the Railway Act which repeal a variety of provisions empowering the board of transport commissioners to disallow rates which are deemed unfair or unreasonable, and which provide that henceforth all rates as a matter of law must be compensatory and subject to a very limited class of appeal to the board, leaving what we regard as the highly arbitrary and obscure decision of when a rate is compensatory to the cost analysts and computer operators in the employ of the railways.

As I understand the right of appeal, if a shipper is of the opinion that the railways are enjoying semimonopolistic conditions, he is entitled to apply to the board and if he is prepared to accept a one year agreement to ship over the railway, he is entitled to have the board fix a rate equal to variable costs, plus 150 per cent. As defined by the act, a compensatory rate is nothing less than variable costs. The difference in this range, it seems to me and to the Port of Halifax Commission, provides a very wide scope and in effect defeats the usefulness of the right of appeal to the board. In our opinion it is unlikely that many rates ever would exceed the range which is provided by the act for the board.

Now, it is true that assurances have been given that in general under the bill the present rail rates are compensatory; that no increases are contemplated, and that proposed amendments, if enacted, would leave the objective of the Maritime Freight Rates Act impaired. However, these thoughts occur to us: if the rates had been increased by 127 per cent between 1948 and 1958, it is hard to believe that they still are compensatory today. In any event, to our knowledge, there has been no authoritative pronouncement to this effect. Even if they are compensatory in a general way, this still leaves open the possibility that the rates to Halifax and North Sydney will be adjusted in favour of the shipper hauling to Halifax.

Or that the rates to St. John and Halifax will be adjusted in favour of shorter haul to Saint John, in each case with disastrous effects on the waterfront operations of the longer haul. It seems to us that this kind of departure



or operation ought not to be permitted without a great deal more study of its effect on the total economy than appears to have been made.

And again, and this is perhaps the main point, even if the rates are defensible today, there appears to be nothing in the bill to prevent the pattern of 1945 to 1958 being repeated; that is, the offsetting of rising labour and other operating costs by the introduction of rate increases which are applied to a greater extent in areas of significant monopoly, like the maritime provinces.

Finally, how can anyone know the effect of such changes in procedure on the making of railway freight rates and on the national policy through implementation of the Maritimes Freight Rates Act or—and it should be revised today—if no governmental committee has made a study of the question, or even of what this national policy should be today?

In summary, there does not appear to us to have been enough homework done at governmental level on the effects of Bill No. C-120 on the maritime economy for anyone to know what these effects will be, or to evaluate them, and the spectacle seems to us anything but reassuring.

Mr. Chairman, I would like to proceed now by reading selected passages from the brief which we have filed and I would like to begin by drawing your attention to the quotations at the beginning of the brief from the speeches made by Sir John A. Macdonald and Sir Georges Etienne Cartier at Halifax on September 12, 1864, 100 years ago. I think it is very interesting to view the developments of the Intercolonial Railway in historical context, and with your permission I would like to read one or two paragraphs from these excerpts, beginning with an excerpt from Mr. Macdonald's speech:

It cannot be denied that the railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada.

"Whilst we have the St. Lawrence in summer, and the American ports in the time of peace, we have all that is requisite for our purposes. We recognize, however, the fact that peace may not always exist, and that we must have some other means of outlet if we do not wish to be cut off from the ocean for some months in the year. We wish to feel greater security—to know that we can have assistance readily in the hour of danger.

"In the case of a union, this railway must be a national work, and Canada will cheerfully contribute to the utmost extent to make that important link without which no political connection can be complete.

"What will be the consequence to this city, prosperous as it is, from that communication? Montreal is at this moment competing with New York for the trade of the great West. Build the road and Halifax will soon become one of the great emporiums of the world."

.... John A. Macdonald

"I have heard since I have been in Halifax, the objection thrown out that there is much danger that you would be absorbed. It will be very easy for me to dispel such fears.

"I answer them by a question: Have you any objections to be absorbed by commerce? Halifax through the Intercolonial road will be the recipient of trade which now benefits Portland, Boston and New York. If you are unwilling to do all in your power to bring to a satisfactory consummation this great question, you will force us to send all this trade which you ought to have through American channels. Will the people of Nova Scotia or New Brunswick be better off because they are not absorbed by commerce or prosperity?



"It is as evident as the sun shines at noon that when the inter-colonial railway is built—and it must necessarily be built if that confederation takes place—the consequence will be that between Halifax and Liverpool there will be steamers almost daily leaving and arriving at the former—in fact it will be a ferry between Halifax and Liverpool. (Cheers)."

....Georges Etienne Cartier

The reporter adds in parentheses "cheers". Anyone who has seen the Halifax waterfront in the summer time will appreciate this.

Mr. REGAN: The ferry is over due.

Mr. MINGO: How that sounds to Halifax ears today! At the bottom of page 2, I shall read as follows:

On the eve of confederation, our region, with a mature and prosperous economy, was beginning to feel the pressure of a revolution in transportation. Having debated whether the promise of an intercolonial railway was worth the risks and the obligations of political union with Canada, it was decided to enter the union.

Then on page 3 we have the following:

"The intercolonial railway was completed in 1876, and it would appear from the evidence we have received that from then until 1912 the interests of the maritimes provinces were fairly well safeguarded, the freight rate structure being such as to take into account the requirements of their traffic. The lower level of rates that prevailed on the intercolonial railways system prior to 1912 is, in our view, rightly to be interpreted as the fulfillment by successive governments of the policy and pledges that surrounded the railway from its inception, whatever impressions may have been created by the form of its administration." (Royal Commission on Maritime Claims, 1926)

"While a detailed analysis of the early rate structure of the intercolonial railway might be desirable, it is doubtful whether this would serve to clarify significantly the main policy considerations in regard the rates on the line. It is sufficient to note that the actual rates on the intercolonial were based on the rates on other railways in Canada, but they were generally lower as a direct result of government policy in regard to the operation of the line". (Submission to the Royal Commission on Transportation by the Maritimes Transportation Commission, 1961, p. 7)

About 1912, the intercolonial began to increase its freight rates relative to other Canadian railways. The program is described in the submission by the Maritimes Transportation Commission to the Royal Commission on Transportation (1960):

"Numerous other instances could be cited to show how rates on the intercolonial were increased during this period (i.e. 1912 to 1923), some by over two hundred per cent, and where special rates were cancelled and higher rates substituted contrary to the rate policy of the line prior to 1912. This "levelling-up" process was completed in 1923 when the intercolonial became part of the Canadian National Railways system and thus subject to the jurisdiction of the board of railway commissioners. At this time, rates on the intercolonial had reached the level of those in Ontario-Quebec and their intended lower basis had completely disappeared."

The Duncan royal commission on maritime claims, 1926, had this to say about the increased freight rates:

We have come very definitely to the conclusion that the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the maritime provinces, (a) a burden which, as we have read the pronouncements and obligations undertaken at confederation, it was never intended it should bear, and (b) a burden which is, in fact, responsible in very considerable measure for depressing abnormally in the maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood.

The findings and recommendations of the Duncan commission led to the Maritimes Freight Rates Act which conferred "certain statutory advantages" in rail rates on the maritimes. In practice, these statutory advantages provided for reduction of twenty per cent in all freight rates within "select territory" (approximately the maritime provinces) and twenty per cent reduction in the select territory portion of the haul from points within it to Canadian points west of it.

The basis of the twenty per cent reduction is significant:

"For our present purpose, it is more material to notice that the president of Canadian National Railways admitted in evidence, that in administering the Atlantic division (the greater portion of which is the old intercolonial system) no account is being taken in the rate structure of today of the special considerations which attach to it as revealed in the pledges and pronouncements already referred to.

We feel that the increase arising from the changes that have taken place in the straight rates in 1912—over and above the general increase that has taken place in other parts of the national system—is as fair a measure as can be made of these special considerations, and accordingly should be transferred from the maritimes to the dominion so that the original intention may be observed. We recommend, therefore, an immediate reduction of twenty per cent..."

I think the point to note here is that it was originally intended—and this intention was carried out until 1912, when it was departed from in the period following that year and was returned to in 1926—that the rail rates within the maritimes provinces, and on the whole from the maritime provinces to central Canada, should be lower than those that prevailed elsewhere in Canada. The point which we are making this morning is that this is no longer true and that Bill No. C-120, if applied in its present form to the maritime provinces, will aggravate an already intolerable situation.

Section 6 of the Maritimes Freight Rates Act provided that the rates so reduced were to be considered statutory rates and as such "not based on any principle of fair return to the railway for the service rendered in the carriage of the traffic". Section 8 of the act provided that the federal government should pay to the railway the difference between the normal and reduced rates.

Over the years, there was a fairly constant attrition, largely caused by various horizontal freight rates increases, of the benefits of the Maritimes Freight Rates Act. The preliminary report of the royal commission on Canada's economic prospects, 1956, acknowledged that "the transportation facilities of the Atlantic region are in need of improvements". In its final report, the commission went even further: it recommended "a re-examination of the present effects of the Maritimes Freight Rates Act".

The MacPherson royal commission in effect said that such an examination was outside its terms of reference, and it is really this examination that we are asking this committee to recommend today.

In the course of his budget speech of March 14, 1957, the then minister of finance responded to the royal commission's findings:

There is one matter on which it is possible to act immediately. I refer to the special difficulties of the Atlantic provinces caused by the various horizontal increases in railway freight rates over the last decade. These increases have fallen rather more heavily on the traffic moving from the Atlantic region to central Canada than on rail movements within the central provinces. As a consequence the competitive position of maritimes products in the Montreal area and points west has been adversely affected.

A study of the average increase in freight rates since 1947 on this traffic, as compared with the increase in the rest of Canada, shows that an increase in the subvention paid under the Maritimes Freight Rates Act is justified. That is, an increase in the subvention from its present 20 per cent level to a level of 30 per cent in the case of outbound traffic will restore these rates to the position they occupied in relation to other Canadian rates at the end of world war II.

The point I would like to make at this stage is while that was the intention, that was not the result. It restored the differential between the class rates, but traffic elsewhere in Canada began moving more and more at rates lower than class rates fixed by agreed charges or competitive rates.

To recapitulate, the Maritimes Freight Rates Act was supposed to secure certain statutory advantages to maritimes shippers. These advantages are in substance the percentage difference in favour of maritime shippers that existed before 1912 between the general level of rates on the Intercolonial system and the general level of rates in other parts of the national system. This relationship was confirmed and re-established by the Maritimes Freight Rates Act of 1927, and was thought to have been re-established in 1957 when by implication the principle of a favourable differential in rail rates in select territory and from select territory to central Canada as compared with rates between central Canadian points, was reaffirmed.

But not only has this differential favouring maritimes shippers disappeared; in many cases the differential now substantially favours central Canadian shippers. Not only have maritimes shippers lost those "certain statutory advantages" that were to have given them access to central Canadian markets, but many non-maritime competing products now move to the central markets with a substantial freight rate differential in their favour. On top of this situation it is now proposed to place Bill No. C-120.

Bill No. C-120 could only result in freight rate increases. The railways could be expected to increase their rates most sharply where their competition is weakest and to apply lesser and fewer increases where their competition is strongest.

The Atlantic region could thus expect relatively rapid and substantial rate increases, while in central Canada, where the general level of railway rates is already lower than in the Atlantic region, rate increases would be less substantial and less frequent.

We shall now discuss the significance of Bill No. C-120 for the port of Halifax. Bill No. C-120 would also be harmful to maritime import and export rail rates. These are of great importance to the maritimes' economy by reason of the major contribution made to it by steamship and export and import movement through the ports of Halifax and Saint John. The value of



services rendered to steamships and cargo at the port of Halifax alone approximates \$20 million a year. If the cost of moving central Canadian cargoes to and from Halifax and Saint John were to exceed the cost to and from United States ports in winter, cargo could be expected to divert to United States ports. Longshoremen, freight handlers, customs brokers, shipping agents, and railway employees themselves in the Atlantic provinces would be adversely affected.

Export and import rail rates to all ports (United States east coast as well as Canadian) are now governed by an agreed port parity rate structure, which ensures that, irrespective of distance from a common point of origin to two or more ports, the export rate will be the same or nearly so as between various ports. Halifax and Saint John are thus provided an opportunity of attracting cargoes despite their relative distance from points of origin.

The Maritime Freight Rates Act, whatever its worth in ameliorating domestic rail rate problems in the Atlantic region, does not apply to import and export rail rates other than to a very few export rates for goods originating in select territory, which would not in any event come within the port parity rate structure.

Bill No. C-120 could mean the diversion in winter of large tonnages of through-traffic from Canadian to United States ports with corresponding loss of employment and business at Halifax and Saint John. As a guide to the gravity of our concern, the port of Halifax now handles some 800,000 tons of through-cargo a year, with an estimated value to the local economy, for labour and services, of at least \$12 a ton.

In thus placing a brief outline of its principal objections to Bill No. C-120 in its present form before you, the port of Halifax commission reiterates its long-standing position that whenever and whatever measures are required to secure for the Atlantic region the constantly competitive freight rates pledged to it at confederation and by subsequent statutes and royal commission studies, the cost of such measure should be borne by the federal treasury and not by the railways.

In conclusion, in recent years much good work has been done at all levels of government and by private and voluntary organizations for the purpose of improving the economy of the maritime provinces and bringing it into line with that of the rest of Canada. For the reasons given among others, the most sensitive and vulnerable point of this economy is the cost of transportation to and from central Canada. Bill No. C-120 in its present form appears likely to have a pronounced detrimental effect on this economy. In all events it is far from clear that this will not be the result. In these circumstances it would be unwise, indeed unintelligent, to apply the bill to this economy, and thereby risk undoing much of the good work that has been done, until the present national maritime policy on transportation for the region and the effect of Bill No. C-120 on this policy can be evaluated at the governmental level.

This task of evaluation can best be undertaken, in our opinion, by a federal royal commission and should be carried out periodically, probably every ten years.

Thank you very much. That is the end of our formal submission. If there are any questions we may be able to answer, we will be very pleased to try.

The VICE CHAIRMAN: Before any questions are asked I would like to point out to the committee that Mr. Mingo and the executive secretary have an appointment with the Minister of Labour at 11.30. If questions are going to be protracted, we should let them leave at quarter past eleven at the latest. They will be able to return this afternoon to the railway committee room. However, Mr. Mingo anticipates and I anticipate that these questions will not be prolonged.

Mrs. Rideout.

Mrs. RIDEOUT: Gentlemen, as a maritimer I want to compliment you on your brief. I know that we who are on the railway committee are sympathetic to your problem, and certainly I could not agree with you more that the transportation facilities of the Atlantic region are in need of improvement.

I am not asking you this question to be critical of your brief, but rather to have clarified a point that appears on page 7. This is in paragraph two:

And could the railways not arbitrarily declare, if Bill No. C-120 were to pass in its present form, any or all of the existing rates between the Atlantic provinces and central Canadian destinations to be non-compensatory, and then bring into play the convenient statutory obligation in section 334 to increase them?

Surely, Mr. Chairman, the board of transport commissioners will check to ensure that the rates that are compensatory are not declared non-compensatory by Canadian National Railways.

Mr. MINGO: In answer to your question, Mrs. Rideout, I think the thrust of that paragraph is to point up the fact that, initially at any rate, from a practical point of view the initial determination is perhaps as far as most shippers will go. The decision on whether or not a rate is compensatory is to be made by the railways themselves. If a shipper is not satisfied with that determination, and if he is able to establish that he is operating under semimonopolistic conditions, he can apply to the board and ask the board, under the conditions which I outlined earlier, to set a rate for him. But the rate which the board will set is the variable cost as determined by the board plus 150 per cent, which I understand is much higher than any rate is likely to be; it is not a practical rate. Again, as I said at the beginning, I am not an authority on the subject but this is what I have been told and it is my understanding.

Mrs. RIDEOUT: You feel this is really a fair way of reaching a decision as far as the rate is concerned?

Mr. MINGO: It is not a simple matter. I can appreciate the problem of the railways and I can appreciate the desirability of having a healthy transportation system in the interests of the general economy.

Our main point here is that the national transportation policy as set out in Bill No. C-120 has not been evaluated in terms of its effect on what has been called national transportation for maritime provinces, at least we are yet to see the evidence of this evaluation. It is our belief that until this evaluation is made—and we think it can best be made by a royal commission—the bill should not be applied to the maritimes. If it is made applicable to the maritimes, we can find nothing in the bill which will prevent the continuation of the attrition of the national policy for transportation for the maritimes which has occurred in the years since the war; it will be just more of the same thing.

Mrs. RIDEOUT: Do you feel that, because of our geographical location, the terms of the Maritime Freight Rates Act will give enough protection to our particular area?

Mr. MINGO: The terms of the Maritime Freight Rates Act as they now stand give no protection at all to the differential which the act sought to maintain between class rates in the maritimes and the rates at which traffic moves elsewhere in Canada. These are not in the main class rates at all but agreed charges and competitive rates of which the board, under the act, cannot take cognizance.

Mrs. RIDEOUT: Then you feel that the shippers in the maritime area would suffer a real hardship if the bill goes through without a royal commission?



Mr. MINGO: Yes, we feel that a situation which is now unsatisfactory will become more unsatisfactory.

Mr. MACEWAN: I would also like to welcome Mr. Mingo. The last time I met him was in the courts in Nova Scotia. Neither one of us was a witness, but today he is a witness. However, I promise to be very fair.

I would like to read to Mr. Mingo an extract from a document I have here, and I would ask him to comment on it. This document refers to Bill No. C-120. It says:

The railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate. They will, however, still be subject to the foregoing section of the act, and will have to consider whether any rate action taken elsewhere will "destroy or prejudice" the advantages given shippers in the select territory "in favour of persons or industries located elsewhere."

This is the important part, Mr. Chairman:

This will be a question of fact and while it does not mean that every maritime rate must be kept 30 per cent below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in section 7. In any case, it will be open to shippers in the select territory to complain to the board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that maritime shippers continue to enjoy rate preferences.

Mr. MINGO: My comment on that is twofold. First of all may I comment on the 30 per cent reduction? It is appreciated that during the period 1948 to 1958 the rates increased by more than 150 per cent, so a reduction of 30 per cent, which at first sight might seem significant, is not significant at all.

I am not a student of the act, and therefore I cannot give a legal opinion even though the practice of law is my profession. My understanding of the act as it has been told to me by others is that it affords no jurisdiction to the board to depress class rates in the maritimes in order to maintain the differential with respect to agreed charges and the competitive rates at which traffic is moving elsewhere in Canada. More and more traffic elsewhere in Canada is moving at agreed charges and competitive rates. This practice commenced in the thirties, but has been made more prevalent during the last 15 years. Therefore, the differential is maintained with respect to a hypothetical rate, or at least to a class rate which is becoming hypothetical because less and less traffic is moving at that rate.

That is my comment on the excerpt.

Mr. MACEWAN: In your brief, Mr. Mingo, you mention at page 7 that as long as a rate is shown to be compensatory the minimum rate should be set—but not the maximum—by the board, and therefore the rates could increase.

Mr. MINGO: That is very true. There is no question about it.

Mr. MACEWAN: As has now been announced, the matter is under study, but as I understand your submission, the position of the Maritime Transportation Commission is that this has not been studied sufficiently and a royal commission should be set up to study the matter.

Mr. MINGO: There should be another royal commission like the Duncan commission, which was a federal royal commission. We think that only a study at that level, clothed with that authority, can produce recommendations to which the weight will be attached that we think has to be attached in order for desirable policies to be pursued on transportation in the maritimes.



Mr. MACEWAN: And, if Bill No. C-120 or some other bill is brought up in the next session you are asking that the maritimes be excluded from the provisions of any bill which may be passed by parliament.

Mr. MINGO: Well, the mechanics of it vary; it may be that they should be excluded or that there be a provision in the bill that none of the rates now applicable in the maritimes be increased. We certainly are asking that the maritime provinces be excluded from the philosophy of the bill until a royal commission has been appointed and has had an opportunity to report, and the findings are evaluated.

The VICE CHAIRMAN: Have you a question, Mr. Stewart?

Mr. STEWART: Mr. Chairman, the brief as presented in a formal way and summarized here today does cover this subject very thoroughly. What I want to do at this time is simply to ask a few questions which will be designed to make myself absolutely sure that I understand in detail what is being suggested to the committee.

Am I to understand that the port of Halifax commission is very much afraid that what will happen with regard to freight rates is that in the larger part of the Canadian market, what we sometimes refer to as central Canada, goods will move at the minimum rate or something close to the minimum rate, whereas in the Atlantic provinces goods will move at the maximum rate, abated by the reduction now prescribed by the Maritime Freight Rates Act.

Mr. MINGO: Theoretically, there is nothing to prevent goods in central Canada moving at a variable cost plus one cent and in the maritimes moving at a variable cost plus one hundred and fifty per cent less the thirty per cent reduction prescribed by the Maritime Freight Rates Act.

Mr. STEWART: You are suggesting the competition both within the maritimes—we can put aside Newfoundland because I think we know fairly well the MacPherson royal commission suggested that is a peculiar circumstance—and between the maritimes and central Canada is not sufficient to make what you like to call the philosophy of this act relevant.

Mr. MINGO: This has been the opinion, I think, of every commission or group that has looked at the problem.

Mr. STEWART: Have you examined the testimony given to this committee on Tuesday, March 2, by Mr. H. J. Darling, director of economic studies of the Department of Transport? At page 796 I asked this question:

Have you as a result of having examined these waybill analyses come to the conclusion, as mentioned earlier, that there is a sufficiently increased rate of competition within the maritime provinces and between the maritime provinces and the central Canadian market to make this broad scheme of legislation one which will not be contrary to what one might call the national interest?

Mr. Darling's reply was:

Yes, I believe that is so.

And, are you familiar with the figures presented to this committee by the Department of Transport, as Exhibit No. 1, comparison of carload rail traffic moving under different rate classifications, 1949 to 1963, at page 1?

Mr. MINGO: No, I am not familiar with the figures. I am now reading the question you directed to Mr. Darling, and his answer.

As I said at the very beginning, I am not setting myself up as an expert or even a student of this subject. But, one of the reasons we would like to see a royal commission appointed is that it is not only important, you know,

that Mr. Darling and the staff of the Department of Transport have made studies; it is important that everyone else have the opportunity to see how the studies were made, to examine them critically and to offer evidence in rebuttal, if necessary. This is why we want a royal commission appointed; it would give an opportunity to people like ourselves, the Maritime Transportation Commission, and all others, to examine this type of interdepartmental study, as has been done by the Department of Transport, and to offer evidence on it, if evidence is desirable.

Mr. STEWART: You would agree that the factual condition as to competition is probably the most important criterion in determining whether or not the scheme of this legislation should be legislated.

Mr. MINGO: It is certainly a very important criteria.

Mr. PRITTIE: Mr. Stewart, are you referring to trucking competition?

Mr. STEWART: Yes, you could say trucking competition, although we do get into water competition at certain times of the year; one of the things we are concerned about is whether or not traffic would be diverted to American seaboard ports in winter months when the seaways are closed.

Mr. MINGO: My recollection of the MacPherson report was that up until the time they concluded their study the maritimes, in their opinion, were an area of significant monopoly. That is an expression they used. Are you referring to something that happened since then?

Mr. STEWART: I am referring to the figures between 1949 and 1963. I have done some addition here. I call to your attention that if you consider the traffic moving within the maritime region in 1963 you will find a total of 45.8 per cent of that traffic moved either at competitive commodity rates or agreed charges, whereas only 3 per cent moved at class rates and 51.2 per cent moved at non-competitive commodity rates. In other words, 54.2 per cent is still non-competitive within the maritime region.

Mr. MINGO: Yes.

Mr. STEWART: Now, on page 2 of that same exhibit, under the same categories, agreed charges plus competitive commodity rates between the maritime region and the eastern region in 1963 totalled 54.4 per cent, whereas if you quote class rates and non-competitive commodity rates it comes out to 45.6 per cent. There is a good deal of competition even on goods moving from the maritime region to the eastern region, but it is much less than within the central Canadian market.

Mr. MINGO: I think that a closer analysis of these figures than what has been given may be required to arrive at that conclusion, in the sense you would have to look at the difference between the so-called competitive rates and the class rates to see how different they are. If they are not significantly different perhaps it gives you a distorted view to record everything other than the class rate as a competitive rate. However, this is the type of thing we want to see done. It may be that it has been done to someone else's satisfaction in the department. But, we do not think that sufficient opportunity has been given to others to explore it. We think this kind of opportunity can only be afforded by having another Duncan royal commission on this express subject.

Mr. STEWART: Do you regard the existence of an agreed charge as a good index of the degree of competition existing within a transportation area?

Mr. MINGO: I am hardly qualified to answer that question.

The VICE CHAIRMAN: May I point out to the committee that there is with us today an official of the Department of Transport, Mr. H. B. Neilly, the chief economist of the Department of Transport. If there are any questions to be put further, he is here if it is necessary.



Mr. STEWART: Mr. Chairman, we are not interested to-day in the views of the Department of Transport. We are interested in the views of the witnesses before us.

The VICE CHAIRMAN: I am just saying that in case you do question it, he is here.

Mr. STEWART: I am sure we will hear his evidence in due course. I wanted to turn to the passage referred to earlier by Mr. MacEwan wherein section 7 of the Maritime Freight Rates Act, 1927, as adduced, is protection for the maritime region. Am I to understand from the answer you gave to Mr. MacEwan that you do not find much consolation in section 7 of that act?

Mr. MINGO: That is right.

Mr. STEWART: In other words, you would regard this statement prepared by the Department of Transport as a pretty poor solution to the shippers?

Mr. MINGO: You say the first statement prepared by the Department of Transport. What are you referring to?

Mr. STEWART: Which appears as Exhibit 5.

Mr. MINGO: It appears in what part of the page?

Mr. STEWART: The last paragraph.

Mr. MINGO: I concur with what I said before, that my understanding of the way the act has operated is that while the deficiency has been maintained in so far as class rates go, more and more traffic moves other than by class rates elsewhere in Canada and the deficiency has not been maintained with respect to this movement. The reason that it has not been maintained is that the act does not ensure that it will be maintained.

Mr. STEWART: Are you familiar with any case which you could bring forward as foundation for your suspicion of the effectiveness of section 7?

Mr. MINGO: I have seen material on this very point prepared by the Maritime Transportation Commission and I understand that a good deal of this material will be presented to this committee when they present their brief. I think you will find at that time that the point I am making is well documented.

Mr. STEWART: Let me ask one final question that moves away somewhat from what you have volunteered. Am I to understand that you would regard competition as a sound basis for the fixing of price and rates provided that some other considerations such as that of national policy did not interpose itself so as to require modification?

Mr. MINGO: From the point of view of the railways, competition may well be and probably is the best basis for the fixing of rates. However, the health of the railway, as someone pointed out in evidence before this commission, is only one of the interests that have to be considered. It is far more important that we have a healthy economy; that we do not have a deficit in the C.N.R.

As we pointed out in our brief, so long as this country has the tariff and trade policies that it does, it is essential in our secondary manufacturing industry for the maritimes to move its goods to the central Canadian market. The secondary manufacturing industries in the maritimes cannot compete with the markets in central Canada unless they can move their goods at less than the rate which prevails in central Canada. In other words, unless their transportation costs of getting their goods to this market are comparable, they cannot compete and if they cannot compete the people are not going to put industries in the maritimes. It is as simple as that. The trouble with this whole problem is that in many ways the government in other fields, in our Income Tax Act, the Department of Industry and elsewhere, would try to suggest that industry locate there. However, in our opinion the principal



reason that it does not locate there at the rate at which it locates elsewhere is this cost disadvantage in transportation. If you overlook this problem, all the efforts being done in other fields would go for naught.

Mr. STEWART: Mr. Chairman, I wonder if I could ask Mr. Mingo whether his commission has given any thought to ways in which competition for the railway might be created? For example, has the commission studied the possible effects on the port of Halifax of a highway linking the maritime provinces from Mrs. Rideout's home city of Moncton to Montreal?

Mr. MINGO: We have this subject under consideration, particularly in connection with the container operation and this sort of thing.

Mr. STEWART: Do you think this is a problem that should be considered very seriously by this royal commission?

Mr. MINGO: It is one of the things that should be considered by the royal commission. There is no question about it.

Mr. STEWART: Thank you, Mr. Mingo.

Mr. REGAN: Mr. Mingo, there are two or three matters that I thought might be made more clear for some members of the committee who are not as familiar with the problems that exist as perhaps those of us from that particular region. I wonder if you would elaborate slightly on the reason why and the method by which railway rates into the port of Montreal and to Quebec from the industrial regions of Ontario for export and, of course, again in the case of import, would tend, by the railways' action, to become lower under the terms of this new act, while the figures would stay much the same or at a higher level on rates into the maritime ports?

Mr. MINGO: I think the short answer to that is that the Maritime Freight Rates Act has no application to this. Therefore, we are operating in a free market and the longer the haul the higher the cost. There is a longer haul to Halifax than there is to Montreal.

Mr. REGAN: What effect would the truck competition have on these rates?

Mr. MINGO: This is the second factor. As I say, the first factor is that as long as variable costs plus one per cent are permissible rates, the variable costs to Montreal would be less than the variable costs to Halifax. Then added to that you have the pressure on the railways to bring their rates down. I appreciate they bring them down below variable costs on traffic moving by an alternative route. This is the whole problem with the railways' inducement to bring them down. They have no corresponding inducement to bring it down to Halifax.

Mr. REGAN: What you are saying in effect is that the trucks cannot compete at present?

Mr. MINGO: They do not.

Mr. REGAN: I see. Now arising out of that statement, at the same time that Mr. Darling was dealing with Mr. Stewart's question that had been referred to earlier, as I recall it, Mr. Darling told the committee that he felt that the degree of truck competition on commodities being shipped for export or import through the maritime ports, the amount of competition of the railways, was rapidly increasing and he felt that the time was coming when that competition would exist as it does into the St. Lawrence ports at the present time from Ontario.

I realize you have not done a statistical review, but can you tell us whether you see any evidence that such an increase is occurring and is likely to have a significant effect in the foreseeable future?

Mr. MINGO: I have not seen the figures on it. I doubt whether my answer is worth giving. However, for what it is worth, our impression is there has been some increase in this at Saint John, but not appreciably at Halifax.

Mr. REGAN: With regard to your earlier answer to the effect that railways well might tend to lower the rates into the St. Lawrence port where the truck competition exists, thus freezing business out of areas like Halifax where the rate is higher, I wonder whether you would comment on a remark Mr. Darling made before this committee in which he suggested it would not be in the railways' interest to do this. Would you agree with Mr. Darling that it would be highly unlikely they would do anything to change the set pattern of traffic to the various ports, or would you feel their main interest would be to maximize their net income?

Mr. MINGO: I think you would have to know a great deal more than I know about the relationship between the railways. I can easily see that the railways are not going to undercut on traffic to Halifax if it will just start an argument in Prince Rupert, or somewhere else. Port parity was entered into to prevent this type of competition. I can only assume that to some extent the forces which brought it into play in the first place still operate. Theoretically there is no doubt that the railways can carry cargo to Saint John cheaper than to Halifax. If the C.P.R. decided to reduce its rate to Saint John in order to capture some of the Halifax traffic, the C.N.R. very well might be forced to do the same thing in order to retain the traffic through the Saint John port itself, or perhaps take it to Portland. As I say, under the act, all this theoretically is possible. As I understand it, in all likelihood what would happen depends on how the railways want to live with each other. I suspect the likelihood is not too great.

Mr. REGAN: Dealing with the matter of the rates having to be compensatory, do you find any room for concern in the fact that the railways themselves, under this bill, are given the responsibility for deciding whether in the first case a rate is or is not compensatory? In view of the extremely complicated nature of the freight rates in this country, and the great amount of discretion that would seem to exist in respect of the cost factors included in determining whether or not a rate is compensatory, do you see some danger that a shipper or a region would be in a very, very poor position to challenge a statement by a railway with regard to the accuracy of a decision that a rate was or was not compensatory?

Mr. MINGO: From a practical point of view, I think a small shipper would have no opportunity to challenge it at all. He does not understand railway policy and is not in a position to quarrel with the railway, or take the time to go to Ottawa to work it out with the Department of Transport or the board of transport commissioners. He just does not have the staff or the background to deal with the subject. Anything I have read on railway costing indicates that even the experts have great difficulty in agreeing with one another on the formula to be used. This is an area in which a person who has not spent his lifetime in this field is hopelessly at sea.

Mr. REGAN: The final question I would ask deals with the fact that the new act proposes to drop the prohibition against discrimination. There is nothing to stop a railway within the rules and regulations which you previously mentioned, from setting rates that are discriminatory. In doing away with this prohibition, do you see a danger that a railway may decide to act in the role of God to the extent of determining which port should be used for various types of products, and also to the extent of favouring, perhaps, some manufacturers over others, and more particularly to determine that certain types of commodities should go through certain ports, and that certain other types should go to other ports.



Mr. MINGO: I can see them arriving at this kind of conclusion, but they would not regard it as discrimination, although that might be the effect of it. I think if they arrived at those conclusions, they would arrive at them for reasons which they consider to be valid and exemplary. There is no doubt about it, at the present time the C.N.R. is anxious to move traffic through North Sydney as opposed to Halifax. That has been a factor in their thinking. I can see that that kind of thinking well might prevail in other situations.

Mr. REGAN: Thank you.

Mr. LLOYD: Mr. Chairman, there have been two or three of us from the maritime provinces questioning the witnesses. We are familiar with the problem. I think I speak for all when I say we support the efforts to improve the situation in respect of transportation in the maritimes, and subscribe to the general objectives in the brief. I have some questions to ask concerning the urgency of this matter, but at this stage I would defer to some other members of the committee from other parts of the country.

Mr. FORBES: The substance of the brief presented today is in respect of a special commission to inquire into the maritime freight rates structure. I would refer you to clause 1(a) in Bill No C-120:

- (a) regulation of rail transport with due regard to the national interest will not be of such a nature as to restrict the ability of railways to compete freely with other modes of transport;
- (b) each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services—

I emphasize the word "services".

—provided at public expense; and

- (c) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty;

Would it not be possible to broaden the terms of reference of the rationalization committee to include the type of inquiry you have suggested in your brief?

Mr. MINGO: Yes. I am not aware of what the timetable is for the passage of this bill. I think much turns on the time available to amend this bill and to give further study to the subject matter with which it deals. My thinking at the moment is what is required is a public inquiry which would take a fair amount of time. For that reason, I doubt whether anything can be included in this bill that would come out of such a public inquiry, or that any inquiry of that kind would be adequate.

Mr. FORBES: What you have indicated now is that the decision of the board of transport commissioners so far has not been satisfactory. Is that right?

Mr. MINGO: We have indicated that the Maritimes Freight Rates Act has not operated satisfactorily. I think the reason it has not operated satisfactorily is that it has not afforded the board of transport commissioners the power to implement the policy that the act was designed to implement.

Mr. FORBES: The classes of freight rates you refer to are the l.c.l.'s, the car-loads, and everything else together. None of them are satisfactory.

Mr. MINGO: What we say is that the act has not succeeded in maintaining the differential between the rates at which traffic moves from the maritimes to central Canada, and the rates at which traffic moves within central Canada, for the reasons I have given. It is not meant that any individual rate is unsatisfactory. It is that the act was supposed to implement this differential, and it has not in fact succeeded in doing so.

Mr. FORBES: Thank you.



Mr. LLOYD: Mr. Chairman, I would like to make this observation to Mr. Mingo: in effect I got the impression by his references to what has been described as the bonds of confederation, and to quotations from Macdonald and Cartier, that really that is what he is saying. And then he contrasts it with the opportunities for secondary manufacturing and implies that the developments, that are serious ones to the port of Halifax, derive from the extension of winter navigation in the St. Lawrence. What he is really saying is that this bill focuses attention on the need for a whole examination with respect to the Atlantic provinces as an area of future development, and that while the rates structure, and competitive rate making, are referred to in this bill, it is really a narrow field in which to offer it. He is seeking now to have a commission re-examine this whole question of transportation as it affects the Atlantic provinces in a much broader context.

Mr. MINGO: We even go further than that.

Mr. LLOYD: You think it should be done anyway.

Mr. MINGO: We think it should be done now, and that it had better be done periodically. Transportation is a changing field. Developments which prevail today may not necessarily prevail from 10 to 20 years from now. It is unrealistic to think of a royal commission looking at a situation in 1926 and coming up with recommendations which will make valid and useful contributions for all time. We think the problem should be looked at now. The MacPherson commission did not look at it; and the Gordon commission said it should be looked at. But when it is looked at now we do not think that anyone should conclude that it should not be looked at again. It should be looked at 10 years from now, or at other periodic times.

Mr. LLOYD: What you are really saying is that the appointment of a royal commission is a matter of great urgency.

Mr. MINGO: Yes, there is no question about it.

The VICE CHAIRMAN: Are there any further questions of the witnesses? If not, I will bring to the attention of the committee first of all that I would entertain a motion that the brief presented by the Port of Halifax Commission be added as an appendix to today's proceedings, because Mr. Mingo quoted from certain parts of it but not all of it. Then some members asked questions dealing with parts of the brief which were not quoted by Mr. Mingo.

Mr. TUCKER: I so move.

Mrs. RIDEOUT: I second the motion.

Motion agreed to.

The VICE CHAIRMAN: Thank you very much, Mr. Mingo and Mr. March.

Mr. STEWART: I would like to bring up another point. Both Mr. Mingo and I referred to certain exhibits. May I ask if arrangements have been made to assure that those exhibits will appear in the proper place in the record of this committee?

The VICE CHAIRMAN: I shall check with the clerk now as to that. I am informed by the clerk that there has been no motion to date that the exhibits prepared by the Department of Transport be printed as an appendix. I would entertain such a motion.

Mr. STEWART: I so move.

Mr. MACEWAN: I second the motion.

The VICE CHAIRMAN: You have all heard the motion that the exhibits prepared for the standing committee dealing with a comparison of rail traffic and so on, prepared by the Department of Transport be printed as appendices to the proceedings of this committee. All in favour?

Motion agreed to.

Mr. REGAN: Before we release the witnesses I wonder if I might be allowed to say, now that we have concluded the questioning of Mr. Mingo and Mr. March, how important this question is to the city of Halifax; and I would like to call attention to the fact that the mayor of our city, Charles Vaughn, is here today listening to the evidence that has been given, and also the city manager, Mr. Peter Byers. I wonder if those gentlemen would kindly stand.

The VICE CHAIRMAN: Mayor Vaughn and Mr. Byers, please stand. I have fond memories of Mayor Vaughn, since I am wearing his own cuff links which he presented to me in Halifax. I thank him for them.

Mr. COWAN: May I ask one question before the witnesses leave?

The VICE CHAIRMAN: Yes.

Mr. COWAN: We have a bill before us right now in which the port of Montreal is classified as being an Atlantic port. I come from Toronto which is on the great lakes. Montreal is called a great lakes port in the regulations of the great lakes. What particular advantage would accrue to Montreal if it were classified as an Atlantic port?

Mr. MINGO: I understand that it would qualify for subsidy under the bill for "at and east rates", and that the railways would qualify for the subsidy. Perhaps Montreal should be reclassified as a St. Lawrence river port.

Mr. COWAN: We do not like the suggestion of it being called a great lakes port.

The VICE CHAIRMAN: That is a very interesting question. I would thank Mr. Mingo and Mr. March for attending here today, and having their brief presented to us on such very short notice.

I would ask the members not to leave because we still require a quorum for the National Farmers' Union of Canada brief which we will hear right away. I shall now release Mr. Mingo and Mr. March for their appointment with the Minister of Labour.

Gentlemen, we now have delegates from the National Farmers' Union of Canada, and I would ask Mr. Roy Atkinson, the president, and James McCrorie the research director to come to the head table. Mr. MacEwan, Mr. Regan, Mr. Cowan, and Mr. Lloyd will kindly remain in their seats so that we can continue with the brief.

Mr. MILLAR: Forget the politics and let us get on with the job.

The VICE CHAIRMAN: Madam and gentlemen of the committee, we have with us Mr. Roy Atkinson, the president of the National Farmers' Union of Canada, and on his right Mr. James McCrorie, the research director of the National Farmers' Union of Canada. They have brought with them today a brief which was distributed to you. I will call upon Mr. Atkinson to commence with his presentation.

Mr. FORBES: Before you start, Mr. Chairman, we did not have any notice that this brief was going to be presented this morning, at least I did not receive one. It is rather regrettable that more western members of this committee are not here to hear Mr. Atkinson's brief.

The CHAIRMAN: I agree we did not have the brief very long. We received it this morning. Perhaps Mr. Atkinson had some difficulty in preparing a brief for this meeting today. We called a special meeting this week in order to take care of the port of Halifax commission and the National Farmers' Union of Canada. I understand the brief was prepared and finished some time Monday morning so it could be put into our hands this morning. I agree with you that more of the western members should be here; however we were not able to give them notice of it.



Mr. FORBES: Should we not postpone the hearing of this brief until this afternoon?

The CHAIRMAN: Mr. Forbes, last week the committee was informed, as it appears on page 862 of the proceedings, as follows:

The only people who have indicated their desire to come before this committee in the near future—and do not forget that everyone has been advised fully about these meetings and has been asked to tell us if they are interested in appearing or to send us their brief—are the port of Halifax, the Canadian Industrial Traffic League, the Canadian Manufacturers Association, and the National Farmers' Union. Meetings will be arranged to hear representatives of these organizations on March 23 and March 25.

Members of the committee have received the minutes of these proceedings and would know that the delegation from the National Farmers' Union of Canada would be here today.

Mr. FORBES: But in view of the fact that we only received this brief last night, and that there was no indication that this was going to be presented, maybe we should postpone it this meeting.

The VICE CHAIRMAN: The indication of it was in the minutes. We prefer to have our briefs early, but I understand there was some difficulty in getting this brief before us today. I think they have done very well to get it before us.

Mr. STEWART: We know that we are not dealing here with a bill which will be proceeded with in the ordinary way. Now that we have these gentlemen with us I think it would be courteous to them to proceed this morning. Although the people from western Canada may not be numerous here, I am sure that those who are here will carry on.

The VICE CHAIRMAN: It was my intention to proceed with Mr. Atkinson and ask him to present his brief because, as Mr. Stewart said, we are dealing with the subject matter of the bill, we are not dealing with it clause by clause. I think that especially the western members know very well the subject matter of this bill and the principles that are involved and therefore will be able to deal with the presentation made by Mr. Atkinson and Mr. McCrorie.

Mr. FORBES: May I make one further suggestion, that Mr. Atkinson read his brief very slowly so that he will not complete it by 12 o'clock, and then we will have to go on this afternoon?

The VICE CHAIRMAN: I would like to bring to the committee's attention that perhaps we should sit here until 12.30 or one o'clock, if it is the wish of the committee, because we are to resume our sittings this afternoon at 3.30 or after the question period in the railway committee room in the centre block. If we do finish this morning, then it will not be necessary to sit this afternoon. I will ask Mr. Atkinson to proceed and we will see how far we can get this morning.

Mr. HOWE (*Wellington-Huron*): I do not think that is fair to the western members who are on this committee. We got these other notices of what will be done this morning, but there are a lot of the members of this committee who are very interested in the National Farmers' Union and their brief.

I would like to move that this committee adjourn until this afternoon so as to give an opportunity to the western members of the committee to be here while the brief is read.

The VICE CHAIRMAN: I am in full sympathy with that request, Mr. Howe. I understand from Mr. Atkinson that he and Mr. McCrorie will be here this afternoon. They intend to leave tomorrow morning. We can deal with it this afternoon.



Mr. FORBES: I second Mr. Howe's motion.

Mr. REGAN: Mr. Chairman, I would like to speak on the motion. I think that probably it would be useful to go ahead to some degree and have a general outline this morning at any rate because certainly a lot of us have scheduled our day in such a way as to come this morning. I think perhaps more of the western members should follow the example of Mr. Forbes and try to be here all the time. However, I am certainly sympathetic with Mr. Forbes' position. I think all the western members on this committee should have an opportunity to participate in this meeting just as a lot of us who are not from the west and who are interested in it. Since we are here it might be useful at least to allow our witnesses to get into the subject this morning and then we can deal with the questioning this afternoon. In the meantime the western members can pick up copies of the brief and run over it. Would that be reasonable?

Mr. MACEWAN: I concur with Mr. Forbes and Mr. Howe. It is all a matter of timing. I know we must keep in mind the convenience of our witnesses, but everybody was given an opportunity this morning to study matters concerning the Port of Halifax Commission and matters which affect that area. I therefore think that an adequate opportunity should be given to study matters relating to the National Farmers Union. I imagine some of the western members also have full time tables, and they should be given an adequate opportunity to deal with this brief.

The VICE CHAIRMAN: May I present the motion that I have before me? It was moved by Mr. Howe, seconded by Mr. Forbes, that the committee adjourn until this afternoon to consider the brief of the National Farmers Union of Canada.

I wish to point out to you that Mr. Atkinson and Mr. McCrorie are prepared to proceed this morning. The motion is before the committee.

If there is any discussion, I will hear it before I call the vote.

Mr. HOWE (*Wellington-Huron*): The notices which were sent out indicated there was to be a meeting this afternoon at 3.30. So far as your schedule is concerned, Mr. Regan, if you intended to attend the meeting, this was already indicated.

Mr. REGAN: I was speaking about this morning.

Mr. TUCKER: I would like to know what assurance you can give us, Mr. Chairman, that we can meet at 3 o'clock or at any other time this afternoon.

The VICE CHAIRMAN: I cannot give you any such assurance.

Mr. TUCKER: I think we should carry on if only to 12 o'clock.

Mr. STEWART: Mr. Chairman, I think that in fairness to our witnesses we ought to clarify one thing. I think they ought to know whether their brief is going to be printed as an appendix to the record of the day because this will determine, to a great extent, how they are going to proceed, either now or later today. This does have some relevance to the question of whether or not we should go on now. If they know that their text is going to be printed, presumably they would proceed by making a short statement of the brief. If we only had that this morning, then members from the west who might be here this afternoon would be at a disadvantage in not having heard the statement on the brief.

The VICE CHAIRMAN: May I state that the intention of Mr. Atkinson is to read the brief up to page 21 which is the conclusion of the recommendations. The appendices will not be read by Mr. Atkinson. It was my intention to

accept a motion to have the brief and the appendices printed as an appendix to today's proceedings. The presentation made by the National Farmers Union of Canada will proceed up to page 21 of the brief.

Mr. STEWART: Then, Mr. Chairman, if what is going to happen at the first part of the meeting is simply a reading of the brief, could we not proceed with that now? The other members of the committee will have the brief before them. We could save time by proceeding in that way. We could then go right into the reading of the remainder of the brief this afternoon and the questioning on it. The members are pretty familiar with this. I do not think this is something that has to be followed constantly by ear.

Mrs. RIDEOUT: Mr. Chairman, I have a suggestion. I am wondering if we could maybe allow five minutes to permit one of the hon. members to telephone some of the western members of the committee. We have all been notified of this meeting. This is a railway committee meeting; it was not just a meeting to hear the maritime brief. This was a meeting of all members of the committee. Would some member be able to get the western members here?

The VICE CHAIRMAN: We did have some members from the west here this morning. The National Farmers Union might have made some earlier commitments and have to leave. I feel that if the mover and seconder of the motion will agree, we could proceed with the reading of the brief up to page 21 and then proceed to the questioning of our witnesses this afternoon. By that time we should be able to have all the members here.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, I presented a motion.

The VICE CHAIRMAN: Is everyone ready for the question?

Those in favour of the motion please raise their hand?

Motion negatived, seven to six.

Mr. REGAN: Mr. Chairman, do you require a motion to go ahead on the basis you have suggested?

The VICE CHAIRMAN: No, I think we should proceed with Mr. Atkinson's presentation now and see how far we can go. In the meantime, I think a telephone call should be made to the western members who are interested in order that they will be here this afternoon.

Mr. HOWE (*Wellington-Huron*): I think another notice should be sent round. We have no indication at all on these notices that there is to be a brief from the Farmers' Union.

The VICE CHAIRMAN: There is never an indication of the witnesses on the notices, only on the briefs that we receive.

Mr. HOWE (*Wellington-Huron*): In the past it has been on the notices.

The VICE CHAIRMAN: It is set out in the minutes in that way.

Mr. TUCKER: That should be done this afternoon.

The VICE CHAIRMAN: Let us proceed. We are just wasting time.

Mr. Atkinson.

Mr. ROY ATKINSON (*President, The National Farmers Union of Canada*): Mr. Chairman, Mrs. Rideout, members of the committee, I would like first of all to say that because of other commitments in terms of time and shortages of staff, and owing to the short notice, we were unable to finish our brief until Monday morning. We had intended to have a translation made by an economic historian from the University of Saskatchewan. However, time did not permit.

I wish to make it clear that the National Farmers Union believes translations ought to be made. First, we believe the French speaking members of parliament ought to have the right to expect briefs of this nature to be submitted in French as well as in English. Second, we believe organizations



such as ours have an obligation to submit briefs of this nature in both French and English. Third, our failure in this matter was not intentional; it was due to pressure of time. We apologize for any inconvenience that may have been caused.

There was some discussion earlier about the presence here of western members. The nature of our presentation is such that we believe it is in the interests of all Canadians.

We welcome the opportunity of appearing before your committee and presenting our views on the question of national transportation in Canada. The National Farmers Union is a federation of the following provincial organizations: the Ontario Farmers' Union, the Manitoba Farmers' Union, the Saskatchewan Farmers Union, the Farmers' Union of Alberta and the Farmers' Union of British Columbia. We represent some 60,000 Canadian farm families.

We wish to commend the government of Canada and the Minister of Transport for referring the subject matter of Bill No. C-120 to this committee before second reading. A request to this effect was made to the Minister of Transport by the Saskatchewan Farmers Union on October 5, 1964.<sup>1</sup> We are pleased to note that the minister has given the request favourable consideration.

### Terms of Reference

Two statements made in the House of Commons by the government define the terms of reference of the committee's inquiry. On Tuesday, February 16th, 1965, the Minister of Transport said in part:

... I was hoping ... to see if it would be possible by agreement to have, not the bill itself, but the subject matter of the bill ... referred, almost immediately, to the railway committee so we could use the time of the rest of this session to hear some of the representations that many people are anxious to make about this bill . . .<sup>2</sup>

The minister made it clear that the referral of the subject matter of Bill No. C-120 did not involve a commitment to the principle of the bill. He said in part:

It would involve no one committing himself to the principle of the bill at all, but would merely make the bill available for study . . .<sup>3</sup>

On Thursday, February 18, the minister moved second reading of Bill No. C-120, the motion being amended to read that the bill be not read the second time, but that the subject matter thereof be referred to this committee.

The question follows: What is meant by the "subject matter" of the bill? Section 1 of Bill No. C-120 presently reads in part:

It is hereby declared that the national transportation policy of Canada is the attainment of an efficient and fully adequate transportation system by permitting railways and other modes of transport to compete . . .<sup>4</sup>

Without commenting on the principle enunciated in section 1, we note that the words "fully adequate transportation system" and "railways and other modes of transport" are used in reference to policy. Although subsequent sections of the bill deal almost exclusively with the question of railroad transportation, it is clear that the authors of the bill are concerned with the relation of rail to other modes of interprovincial transportation. We take the "subject matter" of the bill to mean, then, the entire question of interprovincial transportation, with special consideration given to railroads.

<sup>1</sup> A copy of the letter can be found in Appendix A.

<sup>2</sup> *Hansard* Feb. 16, 1965, (Ottawa: Queen's Printer, 1965), p. 11380.

<sup>3</sup> *Ibid.*

<sup>4</sup> Bill C-120, Sept. 14, 1964.



In view of the terms of reference, as we interpret them, we have chosen to confine our remarks and observations to a discussion of the principles of national transportation policy, with attention given to railroads.

## PRINCIPLES OF NATIONAL TRANSPORTATION POLICY

The principles of national transportation policy must be considered in the light of the historical role and function of transportation in Canadian political and economic development. In this section of the brief, we propose to discuss the historical role of transportation in Canada, the function of transportation, and what we consider to be the objective of national policy in regard to inter-provincial transportation.

### Historical Role of Transportation in Canada

Since the turn of the 19th century, transportation in Canada has been instrumental in developing a national industrial and politically independent nation.<sup>1</sup> The development of the St. Lawrence-great lakes system through canals, the construction of the Intercolonial Railway to the Maritimes (1876), and the Canadian Pacific to the west coast (1885) were conditional to the emergence of a national industrial complex politically independent of the United States. Innis observes:

The act of union, and the construction and deepening of canals, the support of the Grand Trunk Railway, Confederation, the construction of the Intercolonial, the national policy, and the support of the Canadian Pacific, the Grand Trunk Pacific, the National Transcontinental, and the Canadian Northern were results of the necessity of checking competition from United States, and of overcoming the seasonal handicaps of the St. Lawrence and the handicaps incidental to the precambrian formation and the Rocky Mountains period. To build canals and improve the St. Lawrence system, and to build railways to the maritimes and across the precambrian formation north of lakes Superior to British Columbia, from Montreal, Quebec, and Toronto, necessitated reorganization of the political structure, grants in land and cash, and the tariff, particularly the national policy and imperial preferences.<sup>2</sup>

Put another way, the development of an interprovincial transportation network has never been exclusively regarded as an end in itself. The system of canals built during the early part of the 19th century was designed to improve trade and commerce in staples such as furs, timber, and cereal grains.<sup>3</sup> The canal system per se was subservient to other economic objectives.

The construction of the Intercolonial and the western transcontinentals was in response to achieving the goal of economic and political unity north of the 49th parallel. Indeed, the route followed by the Intercolonial satisfied military and commercial rather than economic considerations.<sup>4</sup> The same was true of the routes followed by the western transcontinentals. Fowke observes:

It would be incorrect to assume . . . that the prairie provinces would be without adequate railway facilities had the Canadian transcontinentals and their feeder systems not been built. One of the chief concerns of the

<sup>1</sup> See V. Fowke, *National Policy and the Wheat Economy*, (Toronto: University of Toronto Press, 1957.)

<sup>2</sup> H. A. Innis, *Essays in Canadian Economic History*, (Toronto: University of Toronto Press, 1962), p. 229.

<sup>3</sup> See G. P. deT. Glazebrook, *A History of Transportation in Canada*, (Toronto: McLelland and Stewart Ltd., 1964), Vol. 1.

<sup>4</sup> *Ibid.*, Vol. II, Chap. VI.

early railway policy of the Dominion Government was the exclusion of American railways from Canadian territory to the west of the Great Lakes. . . . The national policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are expensive alternatives to American railways rather than no railways at all.<sup>1</sup>

And Innis writes:

The growth of remunerative traffic to western Canada after the turn of the century led the Grand Trunk to assume an aggressive policy with plans to extend its line from Chicago to Winnipeg. Again the tariff and the refusal of the Canadian government to support a line through American territory compelled it to agree to co-operate in the construction of the National Transcontinental Railway from Quebec to Winnipeg in the west and to Moncton in the east, and to build, under a subsidiary, the Grand Trunk Pacific, a line from Winnipeg to Prince Rupert. The result was a transcontinental line from Moncton to Prince Rupert with no close connections with the parent system and ill adapted as a direct entry into Western Canada.<sup>2</sup>

The burden of financing the construction of an interprovincial transportation network during the 19th and early part of the 20th centuries fell largely on the shoulders of the Canadian taxpayer. The cost of building the Intercolonial Railway was borne by the federal government.<sup>3</sup> The construction of the CPR was made possible in large measure through public subsidies, land grants, and guaranteed loans.<sup>4</sup> The Canadian Northern received public subsidies and land grants, the Grand Trunk Pacific received public guaranteed bonds and loans, and the National Transcontinental Railway, built by the federal government, was turned over to the Grand Trunk Pacific.<sup>5</sup> Later, the Canadian Northern, the Grand Trunk, the Grand Trunk Pacific, the National Transcontinental and the Intercolonial were brought under the single management of the Canadian National Railways, a publicly owned utility.

If railways, along with canals, were instruments of national policy, it must also be said that the Canadian public assumed its full responsibilities in the creation, financing, and later, the operation of such instruments.

The historical role of transportation in Canada can now be restated. Interprovincial transportation has been an indispensable instrument of national policy. In most cases, the taxpayer has borne the expense of providing and operating the service, regardless of the mode; in some cases, the public has subsidized private corporations for the construction and operation of a mode. In all cases, the public—that is, the federal government—has assumed responsibility for the regulation and control of interprovincial transportation, if only on a modal basis.

### The Function of National Transportation

Industry—be it agricultural or otherwise—continues to rest on the movement of goods and services. Transportation then continues to be instrumental to industrial development and growth.

<sup>1</sup> Fowke, *op. cit.*, pp. 68-69.

<sup>2</sup> Innis, *op. cit.*, p. 226.

<sup>3</sup> Glazebrook, *op. cit.*

<sup>4</sup> See "An Historical Analysis of the Crowsnest Pass Agreement and Grain Rates". A *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960; Chap. V and Appendices A & B; Glazebrook, *op. cit.*, Chaps. VII-IX.

<sup>5</sup> Glazebrook, *op. cit.*, Chap. X; C. Martin, "Dominion Lands Policy", *Canadian Frontiers of Settlement*, ed. W. A. MacIntosh & W. Joerg. (Toronto: The Macmillan Co., 1938), Chaps. IV and V.

During the past one hundred years, Canada has developed a variety of modes of transportation. They include:

- (a) Ships
- (b) Railroads
- (c) Motor Vehicles
- (d) Airplanes
- (e) Pipelines

Each and every mode listed above requires government involvement and expenditure for its successful operation. Inland and overseas shipping requires canals, harbors, navigational aids, channels which are properly dredged, weather reports, and so on. All of these indispensable services are provided through government expenditure and planning.

Canadian railroads not only required public moneys for their construction and operation but through the Canadian National Railways, the government has become directly involved in the provision of rail transportation service.

Motor vehicle transportation requires roads, weigh stations, road maintenance and patrol, etc.; all of which are provided through federal and provincial expenditure.

The first national airline service in Canada was provided through a government-owned air service; and the maintenance and provision of airline terminals, weather maps, and the regulation of such service, falls within the jurisdiction of the federal government.

To summarize, the provision of interprovincial transportation services, regardless of the mode, is instrumental and functional to the well-being of the Canadian economy. The services, in turn, depend, in part—and in some cases in whole—on public regulation, expenditures and control.

### The Objectives of National Policy

We have attempted to show that the provision of national transportation has been a critical and indispensable instrument in shaping our national historical development. Indeed, the use of transportation as an instrument of national policy has been both conscious and deliberate.

Moreover, we submit that the ultimate role of interprovincial transportation in our national development has not changed. The provision of national transportation services remains a means to achieving both economic and political goals.

Recognizing the historical and functional role of transportation in Canadian economic and political development, we submit that interprovincial transportation be regarded as a service industry, necessary to the well-being of the economic and political future of our nation. As such, the provision of interprovincial transportation services should be regarded as a means to an end, not an end in itself.

At this point, we wish to draw your attention to the report of the MacPherson royal commission on transportation. In volume II of their report, the commissioners observe:

Almost every transaction which occurs in the life of the nation involves transportation as one element of cost. Thus the material well being of the nation is improved when goods are manufactured and services are rendered under conditions where the real cost of transportation is kept to the minimum necessary to provide fully adequate services.<sup>1</sup>

<sup>1</sup> Report of the Royal Commission on Transportation, Dec. 1961, Vol. II, Chap. 1, pg. 9.



The commissioners, however, do not define the objectives of national transportation policy in terms of the provision of "fully adequate services". Rather, they define national transportation policy in terms of the means of providing fully adequate services; in their own words, they are concerned with the "... effectiveness of transport itself..." Two related concepts are central to their argument and recommendations: economy and efficiency. National transportation policy, for the commission, should be the attainment of an efficient and economic transportation system.

We submit that the commission has elevated the means to providing a fully adequate transportation system to an end in itself. Not the provision, but the providers of interprovincial transportation become the objective of national policy. The criteria for service is not need, but whether or not the service is economic—and therefore rewarding, and efficient—and therefore competitive.

Put another way, the commissioners write:

It should be quite apparent that as long as the transportation system is required to perform services which do not reflect commercial incentives, financial assistance from the government will be a necessary concomitant of transportation policy.<sup>1</sup>

That is, the providers of transportation should only be required to provide those services in which they can realize a profit. If the national interest demands the provision of services which do not reflect commercial incentives then the cost of providing such service should fall on the shoulders of the Canadian taxpayer. We note that the financial burden to the taxpayer in these instances is not to be tempered by applying profits on economic services to losses on uneconomic services. Rather, public monies are to be used, when necessary, to guarantee profitable returns to the providers of transportation service.

We reject this point of view. National policy should be concerned first and foremost with the objective of national transportation, and it bears repeating that the objective of interprovincial transportation has been, and remains an instrument in developing and maintaining a viable economic and political nation. The means of providing transportation services have been and should continue to be tailored to this objective. They have not and should not become an end in themselves.

### The Implementation of National Policy

Having defined national transportation as a service industry, instrumental to the development and maintenance of a viable economic and political nation, we turn to a discussion of what we consider to be the appropriate means whereby national policy may be implemented.

We wish to deal with three questions: (1) How shall service be provided; (2) Where shall service be provided; and (3) How the cost of providing service may be met. In other words, we are concerned with the manner in which service shall be provided, the determination of need for service, and the financing of service.

#### The Provision Service

The transportation industry in Canada has not remained immune to the technological revolution of the fifties and sixties. Innovations have taken place within long-established modes of transportation. For example, since 1945 the C.N.R. and C.P.R. have introduced sweeping technological innovations to the

<sup>1</sup> *Ibid.*, Chap. VII, p. 195.

railway industry. The conversion to diesel locomotive power, modernization and improved capacity of rolling stock, the introduction of centralized traffic control (C.T.C.), automatic hump yards, the master agency plan; the extension of section limits and the mechanization of techniques for maintaining track; the abandonment of branch lines, the introduction of terminal run-throughs, the centralization of car repair shops, and the mechanization of office procedures, are some of the innovations which have changed the face of railroading in Canada.

Innovations have widened the scope and capacity of other modes of transportation. For example, improved roads, the construction of interprovincial highways, the roads to resources programme, along with the improved design and construction of powerful motor units, have enabled trucks to move into the field of long distance hauling, a field previously monopolized by railways. Improved design, along with the introduction of the jet engine, have increased the capacity and scope of airplanes.

Innovations have also introduced new modes of transportation. Pipelines are a case in point. To date, they have been used to transport fluids over long distances. However, our investigations lead us to believe that pipelines may be developed which are able to transport solids such as grain.

The problem in providing adequate interprovincial transportation services then does not lie in the absence of a number of suitable modes. To the contrary, our experience during the past twenty years leads us to believe the future promises a wider variety of transportation services. The problem lies rather in harmonizing, co-ordinating, planning and regulating the various modes on a national basis and in the national interest. To date, no federal agency or authority has been developed nor promised to fill this need.

In 1938 parliament passed the Transport Act which established the board of transport commissioners for Canada. The original intention of the act was to provide for a government board with the object of co-ordinating and harmonizing the operations of all carriers engaged in ship, rail and air transportation.

In 1944, parliament changed its policy in regard to national transportation. The Transport Act was amended, giving the board of transport commissioners jurisdiction over the construction, maintenance, operation, and rates of railways, rates of telephone, telegraphy, and express companies, the tolls on international bridges and tunnels, the licensing and rates of ships on the great lakes, and any other matter defined in the act or special act related to transportation.

Air transportation was brought under the control of the air transport board (1944) which was given the power to regulate air transportation without reference to the board of transport commissioners.

In 1947 parliament passed legislation creating the Canadian Maritime Commission. The commission does not have the regulatory authority of the board of transport commissioners. However, it keeps records of shipping services, and administers the subventions for coastal steamships which parliament passes each year.

In 1961, the MacPherson royal commission on transportation recommended the establishment of a transportation advisory council to continually study transportation investment and make policy recommendations to the Minister of Transport.

In 1964, the federal government introduced Bill No. C-120 to the House of Commons. The provisions of the bill further fragmentized federal policy in regard to national transportation. Section 72A of the bill called for the establishment of a branch line rationalization authority, to be responsible to the Minister of Agriculture.



The obvious and glaring failure of the federal government, and in the last analysis, parliament, to provide for a federal authority to plan transportation services on a national basis and in the national interest is disconcerting. To say there is a need for such an authority is to belabour the obvious.

We therefore recommend that this committee consider the establishment of a federal transportation authority, to harmonize, co-ordinate, plan and regulate the transportation on a national basis, regardless of the mode.

Such an authority should have similar powers to those presently held by the board of transport commissioners. Specifically, the authority should have the power to fix and regulate freight and passenger rates, direct investment, determine need for service, ensure the adequate provision of service, and in a general way, harmonize service, regardless of mode. The authority should be responsible to the Minister of Transport.

#### Determining Need for Service

The demand for transportation services can be both regional and apparent, and local and debatable. The MacPherson royal commission has recommended that the market mechanism be given free rein in regulating the relationship between the demand for transportation services, and the provision of same.

The commissioners concede, however, that the market place does not always guarantee service to areas or regions in need of service. The need for service is equated, in effect, with the probability of realizing a profit in the provision of service. "Unremunerative" service, by definition, is "unneeded" service. Nothing could be further from the truth.

We submit that there is an intelligent and therefore commendable alternative to the market place; an alternative which satisfies the objective of national transportation policy as defined in the previous section of this brief.

A transportation rationalization agency should be established, the purpose of which should be to assess and determine the need for transportation services, regardless of mode. The agency should be responsible to and under the jurisdiction of the federal transportation authority described above.

The agency should be provided with a research staff, made up of transportation economists, economists and sociologists. The research staff could assist in determining the social and economic needs for transportation services.

Applications by shippers and/or communities for transportation services, and applications by the providers of transportation services for leave to provide or abandon service should be submitted to the federal transportation authority. The authority, in turn, would forward the application to the rationalization agency for processing.

The processing of the application would take two forms: (1) The agency would undertake regional studies, such preliminary studies to be continually updated and used to provide a basis for judging need. In addition, the agency could direct their research staff to conduct any additional studies which a given application might warrant; (2) The agency would hold public hearings at which the parties involved would have the opportunity of arguing and defending their case. On the basis of public hearings and the studies mentioned, the agency would assess the need for transportation services and forward their recommendation to the federal authority.

It would be expected that in most cases, the authority would accept the recommendation of the subordinate agency. However, in ruling, the authority would be in a position to assess the judgment or recommendation in terms of a wider context—that of national transportation as a whole.

Provision should also be made for appealing the recommendation of the rationalization agency; the appeal being made to the federal transportation authority.



In determining the need for service, we suggest there are at least three critical considerations:

- (1) The economic requirements of the provider of service;
- (2) The economic needs of the shipper and/or community;
- (3) The related social considerations of the community.

### Financing Service

Transportation service must be paid for. We suggest the following procedures:

The providers of transportation service should establish what they consider to be fair and reasonable freight rates.

These rates, in turn, should be approved by the federal transportation authority, much in the same manner as the board of transport commissioners presently approves rail freight rates. We repeat that the authority shall at all times have the power to fix, alter and approve freight rates.

Annual deficits incurred in the provision of transportation services should be met by federal subsidies. The candidate for a subsidy should be required to show that they have operated their service both efficiently and economically, insofar as is possible.

The costs of federal subsidies paid to railway companies which incur annual deficits in their operations in order to meet the objective of national transportation policy, must be charged to the nation as a whole rather than charged to any particular segment of the economy.

### The Application To Canadian Railways

In the first two sections of this brief, we have attempted to define the objective of national transportation policy, and explore means of implementing that policy. In this last section, we would like to relate, in part, the principle and mechanisms discussed above to the operation of Canadian railways.

### Transportation as a Unit

If the provision of transportation services is to be regarded and treated as a unit, then railways can no longer be considered in isolation to other modes of transport. Existing legislation should be, where necessary, updated and revised, providing for an authority having jurisdiction over all modes of transportation, including railways.

A number of questions might serve to illustrate the point. Should railways be required to provide service to a given community when trucks and/or pipe lines can provide the same range of services more efficiently and economically? Obviously a judgment is involved. Are the claims of pipe line and trucking companies reasonable and legitimate? Is railroad service in this instance still necessary, beyond the question of economy and efficiency? Questions and judgments of this kind should be settled by a neutral and impartial authority, an authority with national responsibility and power, and an authority which is capable of assessing and acting in the national interest. Above all, questions and judgments of this kind—related to the provision of railway service—cannot be considered without reference to other modes of transportation.

### Determining the Need for Rail Service

At present, the board of transport commissioners regulates and controls the construction and/or the abandonment of rail service and branch lines. In general, this principle is sound, and we reject without reservation the proposals presently contained in Bill C-120 which relate to the abandonment of branch lines. (See Appendix B)

However, we feel the present policy in regard to the regulation and control of the construction and/or abandonment of rail service and branch lines can be strengthened in two ways:

First, the board of transport commissioners should be replaced by the federal authority discussed above, thereby bringing the entire question of railroad service into a wider and more meaningful context.

Second, the federal authority should be assisted in its duties by the creation of a transportation rationalization agency, also discussed above in the previous section. The agency would serve to process applications for leave to provide or abandon rail service and/or branch lines. In this way, the judicial function of the authority would be complemented by the investigative function of the agency.

### Freight Rates

We suggest the regulatory powers presently held by the board of transport commissioners be turned over to the proposed federal transportation authority. We reject those proposals in Bill No. C-120 which weaken the powers currently held by the board of transport commissioners—that is, section 15 of the bill. We submit that the fixing of freight rates is too important a matter to be left to the discretion of railway companies.

We once again reiterate our support for Crowsnest rates on flour and grain.

### Economies and Efficiencies in Railroading

We submit that there will be times when the national interest demands and requires the provision of so-called uneconomic railroad service. In such cases, we have recommended that federal subsidies be made available to cover any loss involved.

We wish to make it clear, however, that subsidies should be paid to railway companies on the basis of a deficit in their overall railway operation. Railway companies should be required to cover losses on so-called uneconomic services, with profits made on so-called economic service. Only if there is an overall deficit should a federal subsidy be considered.

Moreover, it is imperative that the federal transportation authority ensure, in so far as it is able, that the operation of railway services be efficient and economic. By this we mean, railway companies should be required to operate as efficiently and as economically as is possible, with the understanding that they may, from time to time, be required, in the national interest, to provide service on which they cannot cover their costs of operation. The national requirements for so-called uneconomic service should not be permitted to become a licence for extravagance and misuse of public funds.

To this end, we recommend the nationalization of the Canadian Pacific Railway Company, and the integration of the Canadian Pacific system with the Canadian National Railways. The reason for nationalizing the Canadian Pacific Railway can be summarized as follows:

- (1) In public statements, the Canadian Pacific Railway has made it clear that it is only prepared and able to provide railway services which offer commercial incentives.
- (2) The Canadian Pacific Railway is not prepared to cover losses on so-called uneconomic services, with profits on so-called economic services, nor with profits earned from its many and varied investments in other industries.
- (3) The existence of two national railway companies involves unnecessary duplication of track, physical plant, and resources.

- (4) Economies can be realized through the integration of the two railway systems, and the operation of the integrated system with one line of management.

### Conclusions and Recommendations

Interprovincial transportation has been, and continues to be indispensable to the economic and political future of our nation. As such, transportation is a service industry and should be regarded and treated as such.

The basis for providing transportation service should be the social and economic needs of the shipper and/or community—be it local or national. The cost of providing such service is an important but secondary consideration.

We submit the following recommendations for your consideration:

- (1) The establishment of a single federal transportation authority with power to harmonize, regulate, control and plan national transportation services, regardless of mode.
- (2) The treatment of national transportation by the authority as a unit.
- (3) The placing of the authority under the jurisdiction and responsibility of the Minister of Transport.
- (4) The creation of an agency under the authority to assist in the determination of need for service.
- (5) The nationalization of the Canadian Pacific Railway and the integration of that system into one single government utility.

All of which is respectfully submitted by

The National Farmers Union of Canada.

The VICE CHAIRMAN: Before proceeding further, members of the committee, I would be pleased to accept a motion that the appendices attached to the brief of the National Farmers Union of Canada be printed as an appendix to today's Minutes of Proceedings and Evidence. The brief has been read to you up to and including page 21, but the appendices have not been read.

Moved by Mr. Tucker, seconded by Mr. Southam.

Motion agreed to.

Mr. PRITTIE: I think we now have reached the time when we might adjourn until 3.30 p.m., or after the orders of the day, and pick up the questioning at that time.

The VICE CHAIRMAN: The brief which we received this morning now has been distributed to all members of the committee so that you will have it this afternoon. I think the suggestion of Mr. Prittie is sound; we will adjourn, if the committee sees fit, until 3.30 p.m., or after the question period. We will meet in the railway committee room in the centre block.

I would like to inform members that on Thursday, March 25, we will be hearing representations from the Canadian Manufacturers Association. A copy of their brief has been forwarded to all members. On that day we also will be hearing the Branch Line Association of Manitoba, from whom we have not received a brief. On Tuesday, March 30, we will be hearing three delegations; first, the Canadian Industrial Traffic League; second, the Maritime Transportation Commission, Halifax; and third, the National Legislative Committee of the International Railway Brotherhoods. We have received copies of the briefs and these will be distributed before the meeting.

We will now adjourn until 3.30 p.m. or after the question period.



## AFTERNOON SITTING

TUESDAY, March 23, 1965.

The VICE CHAIRMAN: Madam and gentlemen, we have a quorum, so we may recommence our sittings. Before we begin the questioning of Mr. Atkinson and Mr. McCrorie, I wish to repeat what I said earlier this morning, that we have presenting their brief today and at the present time the National Farmers' Union of Canada, with Mr. Atkinson the president seated to my right, and to his right, Mr. McCrorie, the research director.

The next meeting of this committee will be on Thursday of this week, March 25, when there will be two delegations, one from the Canadian Manufacturers Association, and the other from the Branch Line Associations of Manitoba.

On Tuesday, March 30, we shall have three presentations, one from the Canadian Industrial Traffic League, Toronto, one from the Maritime Transportation Commission, Halifax, and one from the National Legislative Committee of the International Railway Brotherhoods, Ottawa.

The brief submitted by the National Farmers' Union of Canada was distributed at the noon hour to the office of each member who was not present this morning. Earlier this morning Mr. Atkinson read the brief, finishing at page 21. Then there was a motion to make the complete brief an appendix to be printed in today's proceedings. Therefore, we can begin the questioning of Mr. Atkinson now.

Mr. ATKINSON: Mr. Chairman, as we gave you to understand this morning, we were faced with a rapid fire job in completing the assignment. At the top of page 4 of our brief there is a typographical error. Where it says "the construction of the international", it should read "the construction of the intercolonial".

The VICE CHAIRMAN: That is on page 4. In the third line of the quote "international" should read "intercolonial".

Mr. ATKINSON: Yes, and on page 12 I read the wrong figure this morning. In the second paragraph the figure should read 1938. I believe I said 1933 this morning; but it should read "in 1938, parliament passed the Transport Act".

The VICE CHAIRMAN: Are there any questions? I am sure we must have some questions for Mr. Atkinson and Mr. McCrorie.

Mr. PASCOE: In your introduction you speak of presenting the views of the Ontario Farmers' Union, the Manitoba Farmers' Union, the Saskatchewan Farmers' Union, and so on. Did you have meetings with them?

Mr. ATKINSON: The brief is really an evolution over the years of the problem in consultation with the respective unions. In other words, it is a consensus.

Mr. PASCOE: You would say then that this represents the views of some 60,000 Canadian farm families?

Mr. ATKINSON: Yes, this is a consensus of their views.

Mr. PASCOE: That is all I have right now.

Mr. KORCHINSKI: Has this bill been discussed by the unions throughout the farm areas?

Mr. ATKINSON: Yes.

Mr. KORCHINSKI: It has been discussed at meetings.

Mr. MUIR (*Lisgar*): I notice that the brief does not touch specifically—unless like the Vice Chairman I read it a little too fast—on the subject of branch line abandonment itself, or on the question of branch line abandonment, either regionally or in a local sense. If this is primarily one of the interests of western farmers, I wonder why you did not go more fully into this part of the problem.

Mr. JAMES N. McCRORIE (*Research Director of the National Farmers' Union of Canada*): If I may, Mr. Chairman, I would like to refer you to page 14 and the section entitled "Determining Need for Service". Here we outline what we consider to be the acceptable procedure for determining whether a service should be continued, or whether a service should be removed. But in regard to any specific question relating to rail line abandonment we have included in appendix B a re-examination critique of Bill No. C-120. I think our views are made forcibly there.

Mr. MUIR (*Lisgar*): You say appendix B?

Mr. McCRORIE: Yes.

Mr. ATKINSON: It is actually a submission that we made to the provincial government of the province of Saskatchewan. But again these are our specific views and opinions in matters relating to Bill No. C-120.

Mr. McCRORIE: Again I would refer you to page eight of appendix B.

Mr. ATKINSON: If I might enlarge on the answer given to Mr. Muir I would say that the question, as we understood it, that was to be considered before this committee was in addition to Bill No. C-120. In other words, the subject matter was referred to, and we believe that in order to arrive at a comprehensive national program, we must approach the whole question from a national point of view. Therefore, we have enunciated the principles upon which we believe a transportation policy ought to rest. It would include items such as rail line abandonment.

Mr. MUIR (*Lisgar*): In other words, you are looking at the broader aspects of transportation as a whole, rather than regionally.

Mr. ATKINSON: Well, it is included, but in the broad question.

Mr. MUIR (*Lisgar*): I was really disappointed that you had not brought out the views of the western farmers before the committee. As you know, and are quite well aware, the abandonment of any branch line, regardless of whether it is economic or not, is going to have a great effect on the people who live along that particular line. Now, I do not think there is anyone—including the farmers themselves—who wishes to see a line kept in operation which is not going to be justified for some reason. However, there are lines much of which are not economic, yet their continued operation is justified from the point of view of public interest. I was hoping representatives of farm groups that you would point this out. It is true that we have some farmers on the committee, but I think that the views of the farmers should be projected before the committee so that they may be understood by all members of the committee.

Mr. McCRORIE: I would like to think that the hon. gentleman's disappointment is unfounded. First of all, we feel that the question of national transportation as a whole is far more important than specific branch lines; that is to say, whether a specific branch line should be or should not be in operation. But in regard to the operation or the removal of the operation of a specific branch line, I would again refer you to page eight of appendix B where we review the provisions of Bill No. C-120 as it now stands.

We note that the bill provides that the board of transport commissioners shall consider actual losses and such other factors as in its opinion are relevant. But the bill does not describe what these other things might be. As far

as you are ascertaining it the actual concrete criterion for provision of a branch line service or for the removal of a branch line service is whether or not a specific railway company enjoys a profit from a particular line or portion thereof, or whether it does not. We feel this single criterion is completely inadequate.

Mr. FORBES: This is the point I wish to bring out.

Mr. McCORIE: If I may continue, and go to page nine of the brief, the bill provides, as we read it, for piecemeal abandonment; it does not include what we might call a regional concept in terms of the provision of railway services. This we find to be completely inadequate. We might also add here that the bill provides for applications for subsidies or for abandonment on a particular line or portion thereof, and railroad companies are not required to apply the profits on so-called economic branch lines to so-called uneconomic branch lines. This is something we just cannot understand.

Mrs. RIDEOUT: Mr. Chairman, I would just like to clarify a point for my own information. I admit right off the bat that I could very well be wrong in assuming the following. It appears on page 13 of the brief where you say:

We therefore recommend that this committee consider the establishment of a federal transportation authority, to harmonize, coordinate, plan and regulate transportation on a national basis, regardless of the mode.

Such an authority should have similar powers to those presently held by the board of transport commissioners.

I am wondering what is your objection to the board of transport commissioners. Why do you suggest another body of people to regulate transportation? Does this not all come under the board of transport commissioners?

Mr. McCORIE: Our problem here is that we are not lawyers. As we interpret the function of the board of transport commissioners at the moment, it is that the board has jurisdiction over railroads in Canada. We do not quarrel with this. What we are suggesting is that other modes of transportation be brought under the regulatory powers of what is now known as the board.

Mrs. RIDEOUT: You are not suggesting another board besides the board of transport commissioners?

Mr. McCORIE: No.

Mr. RAPP: My question is similar to the one asked by Mrs. Rideout. What would be the purpose of abandoning the board of transport commissioners? Is it proposed only for periods when railway abandonment is conceded or is it suggested that the board of transport commissioners be replaced permanently? I am not familiar with it but in the three briefs that we have received so far there has been no suggestion that the board of transport commissioners should be replaced. Maybe there is a good reason for it. After reading the brief I was not quite clear in my mind what the National Farmers' Union had intended, particularly on page 18 where they say that the board of transport commissioners should be replaced or abandoned altogether.

Mr. ATKINSON: The function of the new authority would be to harmonize and rationalize the development and the operation of all modes of transport within Canada. If, for example, some new mode happened to come into being, it would come in under the jurisdiction of the new supra body, if you will.

Mr. RAPP: But you would suggest then that the board of transport commissioners be replaced permanently, not just for a period of time?

Mr. ATKINSON: That is right, and the new body's functions would be broadened.



Mr. RAPP: At the present time the board of transport commissioners have only jurisdiction over the railways; is that not right?

Mr. ATKINSON: Railways, canals, and that sort of thing.

Mr. RAPP: Thank you very much. I could not find the reason for that suggestion.

Mr. PRITTIE: My first question follows on the one which Mr. Rapp asked about the single federal transportation authority. You include trucking of course, do you not?

Mr. ATKINSON: Yes.

Mr. PRITTIE: Have you thought of the constitutional problems concerning intra and interprovincial trucking?

Mr. ATKINSON: As Mr. McCrorie says, we are not lawyers and therefore we have not concerned ourselves with this particular problem.

Mr. PRITTIE: It seems to me it is not too difficult to make a case for interprovincial trucking coming under federal authority, but you have this mode of transportation within a province.

Mr. MCCRORIE: The reference is to interprovincial trucking, not intra-provincial.

Mr. PRITTIE: The other question refers to what you say on page 16 concerning the financing service. You say:

Annual deficits incurred in the provision of transportation services should be met by federal subsidies. The candidate for a subsidy should be required to show that they have operated their service both efficiently and economically, in so far as is possible.

My question in general is: Do you feel that the two major railway companies should, in their accounting, comprise only their transportation problems or should the total picture be included, their other operations as well because they both have a great many auxiliary services, they own trucking companies, they own oil fields, in some cases hotel services and so on?

Mr. ATKINSON: Under the present circumstances and bearing in mind the fact that they operate as separate entities, we would suggest that these sources of revenue be considered as revenue to the corporate entity and as such ought to be used in determining whether or not profits are made.

Mr. PRITTIE: You would agree with the fact that they have many of these other services and assets but because of the fact they are a railway company they require them for their railway operation and they should therefore be included in the total picture?

Mr. MCCRORIE: The problem here also is that in the case of the Canadian Pacific Railway the management has said that it is not prepared to apply its profits in all its fields of operation to the railroad operation, or vice versa. Now what is the justification for this stand? When you dismiss and sift through all the rationales that are given, you come down to one basic consideration, that is "because we say so". We are taking the opposite point of view, that if the Canadian Pacific Railway is not prepared to apply all its profits from the variety of its operation to its railroad operation, then, fine, it should be nationalized.

Many of our members are extremely concerned with this particular point for the simple reason that they know, as so many people know, that the present position of the Canadian Pacific Railway is in large measure due to policies of the 19th century when the public of this country made available to the C.P.R. subsidies, land grants including mineral rights, and in part as a result of the government's policies the Canadian Pacific Railway now enjoy the position it does today.

Mr. PRITTE: I will not argue with this. I think you are a voice crying in the wilderness, but probably at the moment only Mr. Cameron, Mr. Regan, Mr. Stewart and myself would agree with you. Last year I brought in a bill to try to get the C.P.R. just to come before the railway committee and answer a few questions, but the people opposed to it brought in a bill to nationalize it—it did not get very far.

I have a final question on your suggestion about the nationalization of the Canadian Pacific Railway. Are you just including its transportation facilities or do you mean the whole operation?

Mr. ATKINSON: We would include only its transportation facilities.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): To follow up on that last question of Mr. Prittie's—a question I was going to ask you your answer raises another question now. In an earlier section of your brief, on page 16, you suggest that annual deficits incurred in the provision of transportation services should be met by federal subsidies. Now you are opposing nationalization of the Canadian Pacific Railway and presumably you have in mind that it does, in some mysterious way, manage to cover its deficits with the taxpayers' money or would be expected to cover them with federal grants under your first statement here. Yet you tell us you are not prepared to include in your nationalization program the other extremely profitable operations of the Canadian Pacific Railway, the COMINCO operation, the Western Light and Power, the Canadian Pacific Steamship Services, and so on. All these are extremely profitable. You are going to exclude these from nationalization?

Mr. ATKINSON: I think that the steamship services ought to be involved in it. With respect to the others, we have to confine ourselves because we are dealing with the question of transportation in Canada.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would you not agree these other properties, as Mr. Prittie suggested, grew out ancillary to the transportation operations of this company; that at one period considerable surpluses were invested in these properties?

Mr. ATKINSON: This is a matter of historical fact, as you know.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Do you think it would not be proper for you to include the rest of the Canadian Pacific Railway properties in your nationalization proposal?

Mr. ATKINSON: Quite frankly, we have not considered it.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It does seem to me if you are going to take one bite of the cherry it might be as well to consume the whole fruit.

Mr. HAMILTON: I have two main lines of questioning.

The first concerns the liaison between the National Farmers' Union and the various organizations that are working on this railway legislation. Have you any contact with the work being done by the Saskatchewan wheat pool and the Manitoba wheat pool in the collection of statistics?

Mr. McCORIE: We have been working with the Saskatchewan wheat pool on this matter and there is an almost tacit unwritten understanding between the two organizations to the effect that, since the pool is a commercial organization and does employ on its staff an economist, we should leave some of the intricate details in regard to freight rates and the provisions of service to the pool. I imagine they will be handling that if they submit a brief to this committee.

Mr. HAMILTON: I take it, then, that you have not received the statistical information yet.

Mr. McCORIE: We have received some of it, sir, but we have not seen fit to use it. It is not that we feel the information is inappropriate—we think it is—but rather that we feel it would be better for the wheat pool, which prepared the information, to use it in the context it felt was correct.

The second question—and these are leading questions to a degree, as you will recognize—is this: Have you established contact with the three prairie governments on the work they are preparing to present to this committee?

Mr. ATKINSON: The only contact we have had is with the province of Saskatchewan, and the presentation we made to that province is an appendix to the main submission. So, in a formal way, the answer is no.

Mr. HAMILTON: My third question is this: Your farmers' union does cover the province of Ontario?

Mr. ATKINSON: Yes.

Mr. HAMILTON: Has any contact been established yet with Ontario to see if they are going to take any part in making a presentation on behalf of the people of that province to this committee?

Mr. ATKINSON: So far as the National Farmers' Union is concerned the answer is no. We are unaware of what the Ontario farmers' union has done in this matter lately.

It is reported to me that we have heard a rumour to this effect, but we have heard nothing concrete.

Mr. HAMILTON: My second line of questioning has to do with appendix B. I want to ask a series of questions here concerning the actual bill that we have before us. I would like to draw your attention to page 6 of the bill and to read the operative parts of two or three of its sections. I will then ask for your opinion on them.

On page 6, dealing with the general subject of branch line abandonment, the relevant section is 314.

Section 314B states:

Where a company intends to abandon a branch line otherwise than by application for abandonment under section 168, it may, in accordance with the rules and regulations of the Authority, file with the Authority an application to abandon such line.

(2) Concurrently with the filing of its application to abandon a branch line the company shall also submit to the Authority a statement of the actual losses of the company attributable to the line in each of such number of consecutive financial years of the company as the Authority may prescribe . . .

And so on.

Then subsection (3) states as follows:

If the Authority is satisfied that the application to abandon a branch line has been filed in accordance with the rules and regulations of the Authority, the Authority shall transmit to the board—

That is the Transport Commissioners—

—a copy of the application together with all pertinent documents, including the statement of the actual losses referred to in subsection (2), and as soon as may be thereafter the board shall—

Again, the Board of Transport Commissioners—

—after investigation and whether or not it has afforded the company an opportunity to make further submissions, determine if the branch line is or is not uneconomic . . . the board shall report the same to the Authority and the report of the board shall constitute approval of the abandonment of the line.



I have read this slowly enough for you to get the implications of it. Do you approve of section 314B which sets up this rationalization authority? Is this sufficient power to carry out the principles of rationalization as we understand it?

Mr. McCORRIE: I do not think I caught the gist of it.

Mr. HAMILTON: Let me take it out of legal language and rephrase it.

Under section 314B you have a rationalization authority set up with its own power for collecting documents from railways showing actual losses. The minute they collect the documents, they have no power of decision; they must transfer the documents to the board of transport commissioners, and the board of transport commissioners, dealing with losses and such other information it may consider relevant, has to decide whether that section of the railway was working at a profit or a loss. If there were losses, then the board must report back to the authority, and this shall constitute approval for abandonment. In other words, the authority has no power to stop an abandonment.

This is my question: Do you approve of this type of section 314B?

Mr. McCORRIE: I would say in a general way that we do not. Perhaps I could document my reply. In the first place, in section 314B, subsection (2) reference is made to "the actual losses of the company attributable to the line in each of such number of consecutive financial years" et cetera. We also take it that it could mean an entire line or a portion thereof. Mr. Atkinson and I are not economists, but we did consult extensively with Professor Vernon Fowke of the University of Saskatchewan, who has spent a good deal of time examining the question of national transportation. He assures us that this question of determining actual losses is very misleading. We have been given to understand that railway companies informed the MacPherson royal commission that they had developed what they call a scientific method of cost accounting and that the MacPherson royal commission accepted this principle of scientific cost accounting.

Professor Fowke assures us that scientific cost accounting cannot take place unless you entertain a number of assumptions. One must assume, for example, that it costs X number of dollars to move one bushel of grain one rail mile. One makes a valid assumption. This is always a matter of opinion. What the railway company might consider to be a valid assumption the farmers may not consider to be valid, or the wheat pools may not consider it to be valid, or the government may not consider it to be valid, or the government may. So we question whether there is any real so-called scientific method of determining losses, and we think the question whether a line should be operated or whether it should not be operated depends for its reply upon whether there is a need for the operation of that line. The need cannot, we submit, be realistically assessed without reference to other modes of transport. I think members of the committee are aware of the fact that pipe lines are now proving both economical and efficient in the transportation of certain fluids over great distances. We refer in our brief to investigations carried out by the economic research council of Alberta. They have informed us that the possibility of transporting solids via pipe lines is now an engineering possibility but not yet an economic possibility. Now, I do not think it requires much stretch of the imagination to foresee the day when solids such as grain may be transported by pipe lines. It would be quite irrelevant whether a rail company was moving grain on a particular line at a so-called profit; it might be far better to transport that same grain via the pipe line. So, it comes down to a question of need. Is there a need for service, and what is the best mode for satisfying that need?

Mr. HAMILTON: You understand that we who are sitting in this committee have a responsibility to put into effect a statute that deals with the situation of today. What we are trying to ascertain from you is, first, whether you approve of this lack of power, which is obvious from the reading of this section. I think you must be aware that in western Canada, where there has been a great deal of discussion about rationalization, we understand it as taking in an area and looking at the area as a whole, with the rationalization authority having the power to direct or induce the railways to run the railways in that area, from a rational point of view. Am I correct in my assumption that, in general, you do not approve of this section as presently worded?

Mr. McCORIE: Before I answer that question I did get sidetracked and I would like to revert to a comment you made with regard to your responsibility to enact legislation. We do not envy you this job because we know it is a very difficult one. But, may I point out, and more since the end of the second world war, what happens today is very much influenced by what is going to happen tomorrow. As you know, technological and scientific changes are occurring at a very rapid rate, and the concerns of today can no longer be intelligently separated from the prospects of tomorrow. So, to make my point clear, I think you have to have some mechanism which enables you to show some concern for what the prospects might be tomorrow. You have to have some kind of flexibility in order to deal with it.

Now, to come back to the specific question as to the adequacy of the provisions in section 314B, our concern, in addition to what I have said, is, first, it provides for piecemeal abandonment which we feel is completely unacceptable and not a very useful way of dealing with this question. Second, the emphasis is on abandonment of services; we feel the emphasis should be on the provision of services and whether or not such services can be provided. It is a question of emphasis, and we feel the bill approaches this entire problem in a negative kind of way. To make it clear, we are in no way opposed to rail line abandonment. We feel there are many lines which should be abandoned simply because they are not needed. Also, we recognize that many of our own members from time to time in terms of local areas will make what might appear to outsiders to be unreasonable demands. We all know it was quite a problem to transport grain with horses ten miles in 1921. In 1961, with a truck, the problem is incomparable. So, we concede the point that the hauling of grain by trucks greater distances than is presently the case is not much of a problem in some cases. We are not opposed to rail line abandonment but we are in favour of the provision of adequate services, and we feel this provision in section 314B does not provide for that.

Mr. HAMILTON: Then, in other words you believe in the principle of rationalization being applied over a larger area than just a section of the line, to get this rational approach.

Mr. McCORIE: Yes.

Mr. ATKINSON: Mr. Chairman, if I may interject, we also have stated that the present form of Bill No. C-120 is totally unacceptable to us because it does not take into consideration the regional or national aspects of transportation requirements related to railways. It is sometimes rather difficult to communicate; it depends upon where you live, and this determine how you see the thing. If Bill No. C-120, in its present form, were to be introduced then, of course, there would be real hardship among the farming community, the business people in the community and among the municipalities as a result of this approach to rail rationalization.

Mr. McCORIE: We may be misreading the bill but, as we read it, we come to the conclusion that the rationalization authority is nothing more than, say, a glorified messenger boy. What is its function? As you yourself pointed out, it



seems to be collecting of information and passing it on to the board of transport commissioners, and it then receive the board's decision. Their only function is to determine the time at which the axe will fall.

Mr. ATKINSON: I would like to make another point at this time. In our presentation today we assumed that this committee is not going to confine itself to only the matters related to Bill No. C-120; we hoped this committee would be looking at the question from the point of view of national transportation requirements, of which this is a part, and any policy which is developed would be the result of meeting national goals.

Mr. HAMILTON: My final question has to do with an item on page 32. I know you realize what I am trying to do; I am trying to get a hard opinion on key sections. I am referring to section 387B and to what Mr. McCrorie mentioned are those attempts to find a scientific basis for cost analysis in this bill which we have before us. Section 387B says:

(1) The board shall by regulation prescribe the items and factors that shall be relevant in the determination of variable costs for any of the purposes of this act.

This applies not only to branch line abandonments but to the Crowsnest pass rates, and it applies to the ordinary types of routes and so on. You raised the question of the opinion you received from Professor Vernon Fowke. I would like to remind the committee of the information in the third volume of the royal commission report on transportation. You will recall that the main item of dispute in the evidence before the royal commission was this question of cost analysis. After a great deal of discussion the railways went out and hired probably the best firm they could find, and this firm were experts on railway cost accounting. They studied the figures for the C.P.R. in the year 1958 and they came up with the conclusion that in that year the losses on the C.P.R. on one item alone, the hauling of western grain at the Crowsnest pass rates, was \$17 million.

Mr. McCORIE: I think it was \$70 million.

Mr. HAMILTON: No, \$17 million for one railway in one year. Now, this so astounded the provincial government that they went out and hired the best cost accountant firm they could hire, who were also experts on railway cost accounting. These people studied the same set of figures and by putting the various items in different columns they came up with the information that the C.P.R. in 1958 made a profit of half a million dollars on the same set of figures. This meant that the royal commission, to resolve this business, had to hire another firm equally competent and they set the two studies before this third firm and they juggled them a little differently and came up with the fact that they thought the figure was a loss of \$2 million in the year 1958. My question to the farmers' union is this: Here you have a section which does not say which of these cost accounting firms shall be used. Admittedly, as Professor Vernon Fowke says, the knowledge of cost accounting in railroads is a new science and every year it will change. Do you think that this section of the bill, 387B, is satisfactory as far as the parliament of Canada is concerned in directing the criterion to be used?

Mr. McCORIE: I do not know if you were trying to make a point or ask a question. However, I think we would agree with the point that you were trying to make.

Mr. HAMILTON: I need your evidence.

Mr. McCORIE:

The board shall by regulation prescribe the items and factors that shall be relevant in the determination of variable costs for any of the purposes of this act.



It is a matter of judgment as to what items and factors it shall consider. You have pointed out that three studies were made and three answers were given to one single question. Our guess is that the board would accept a system of cost analysis which proved to be popular, as it were, and one which is equally acceptable.

Mr. HAMILTON: Did you say popular?

Mr. McCORRIE: Popular and acceptable.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): By whom?

Mr. McCORRIE: This is the point. Our suspicion would be that what constitutes a popular or legitimate system of cost analysis would be one held out by the railroad companies. Now, we are not saying it would be but we suspect that the weight would be in their favour. Again, this is why we recommended that total operation of a railroad be the basis for judging whether or not there is a deficit or whether there is a profit for a year's service. On the basis of the total operation one can then determine whether a subsidy is required or whether no subsidy is required.

Mr. HAMILTON: At this particular moment you would not accept the fact that you have three groups of experts each looking at the same set of costs. You would not worry about whether we accept the railway position; that is, the view of the railway experts, the position of the three western government experts or the position of the board of royal commission experts, but you would say, forget all of that and just look at the whole question of profit and loss?

Mr. McCORRIE: Mind you, I think I misconstrued your question. Obviously, the total operation would involve the necessity of having a cost analysis. In terms of this point I think I would have to say—and perhaps Mr. Atkinson may not agree with me—that we do not know what the answer is. This is a very technical problem and I think we have to be honest and say we do not know.

Mr. HAMILTON: Then if you were in our position, trying to make laws, which of these three criteria would you pick and advise us to recommend in this legislation?

Mr. ATKINSON: I would answer that question by saying that the national authority ought to lay down the criterion upon which the judgment should be made.

Mr. HAMILTON: You do not think that parliament has any right to direct this?

Mr. ATKINSON: I think it should be the national authority.

Mr. HAMILTON: In those terms, when we have three sets of conflicting figures, which one should we pick?

Mr. ATKINSON: Obviously parliament makes the judgment.

Mr. RAPP: The one that had no loss.

The VICE CHAIRMAN: Are you through, Mr. Hamilton?

Mr. HAMILTON: Yes, thank you.

Mr. REGAN: I wonder if I might ask a number of questions. First of all, dealing with your question that the Canadian Pacific Railway be nationalized, I note on page 20 of your brief that you give four reasons why you would favour nationalization of that historic body. It seems to me that the first two would certainly be totally overcome by utilization of stronger regulations through the board of transport commissioners; that is, giving the board of transport commissioners greater authority to set regulations under which the Canadian Pacific Railway should operate. Do you not feel if that were done it would overcome the need for nationalization?

Mr. McCORIE: No, I would say not. I think the four reasons have to be taken as a whole. I think the first two may appear to be somewhat dramatic. I think we should not overlook reasons three and four, namely that the existence of two national railway companies involves what we consider to be unnecessary duplication of track, physical plant, and resources; and, four, economies can be realized through the integration of the two railway systems and the operation of the integrated system with one line of management.

Mr. REGAN: You were not placing your case then primarily on number three and number four?

Mr. McCORIE: I beg your pardon. It is not primarily on any one of them but on all four taken together.

Mr. REGAN: But you do grant that the first two could be overcome by providing more stringent regulations with respect to what the railways can do?

Mr. McCORIE: I think we can say that is correct.

Mr. REGAN: With reference to number three and number four, would the position not be such, with historic service to many areas that have counted on railway service, that there would be very little track abandonment that could be realized by amalgamation? In regard to the economies, would they not be realized by having one management? Would this not be offset by the destruction of any form of competition which, in certain commodities and in certain areas, exists at present because of the fact that the two railways are competing for the same trade?

Mr. McCORIE: What kind of competition?

Mr. REGAN: Does your question suggest that there is no competition between the two railways at the present time?

Mr. McCORIE: I am not quite sure what you mean by the word "competition".

Mr. REGAN: By competition I mean the fact that the two railways are seeking the business of the producers and thus they tend to give better service than if there were only one rail line which would automatically do it all. In other words, all the general benefits of competition.

Mr. McCORIE: Well, personally, I am always frightened by this word "competition" because I am never quite sure what it refers to.

Mr. REGAN: We have competition in every election.

Mr. McCORIE: Let me, by way of example, refer to the new railroad passenger rates introduced some years ago by the Canadian National Railways, the red, white and blue fares. Now, although I cannot divulge the source, we have been told on good authority that when the C.N.R. was contemplating putting these fares into effect the management of the Canadian Pacific Railway used all of its powers of persuasion to deter the C.N.R. and it was only after a great deal of soul-searching that the management of the C.N.R. eventually decided to put the fares into effect on an experimental basis in the maritimes. I use this illustration to make a point. Competition of the kind of which I think you are speaking is the very thing that all business institutions try to get away from. In other words, competition is something you try to control; hence, the price fixing agreement; hence, the situation with Canada Packers; hence, the Canadian wheat board; hence, the development of co-operatives in the fishing areas in the maritimes. Therefore, we submit that the competition of which I think you are speaking is not going to guarantee better service; nor is it going to guarantee a better freight structure. We feel that under competent and sophisticated management one Canadian railway system would be a vast improvement over what we have now.

Mr. REGAN: You do not even accept the proposition that if there are two restaurants across the street in a small town this guarantees better service than if there were only one?

Mr. McCORIE: Our experience in Saskatchewan, as far as small towns are concerned, is to the effect that competition is very successful and very skilfully carried on.

We could cite a number of examples in support of this.

Mr. REGAN: I think I know what your views are on this subject. You have been quite fair, although I may not be entirely in agreement. Let me move on. From your brief I note that you suggest that all modes of transportation for moving goods in this country should be subject to the same type of control as the railways and that the federal authority, you advocate on pages 13 and 14, would have power to fix and regulate freight and passenger rates, direct investment, determine need for service, ensure the adequate provision of service, and in a general way, harmonize service, regardless of mode. So, from these words I conclude that as well as fixing the freight rates for railway service and not allowing the railways to determine the service, you would also fix the rates that interprovincial truckers would have for carrying any goods; you would advocate fixing the rate for a shipper on a canal or river, or even air services. Is that correct?

Mr. McCORIE: Yes.

Mr. REGAN: As outlined in your brief—

Mr. McCORIE: May I interrupt? When I suggest this is what we mean, I should also add I think we have stated in the brief that perhaps the most practical method of doing this is to permit the shippers themselves to declare what they consider to be fair and reasonable rates. What we are saying in effect is that the tariffs shall be filed with the authority which shall have the authority to say whether or not that rate goes into effect.

Mr. REGAN: The authority would have the power to change the rates. Often you would find situations where the shipper and the provider of the service would not see eye to eye with regard to the fair and reasonable rate?

Mr. McCORIE: Yes.

Mr. REGAN: Would you provide the same restrictions against abandonment of service to all truckers as you would to the railway lines?

Mr. McCORIE: Not against abandonment of service. I think we would prefer to put it the other way. The same principles would apply to any mode. The service is provided where needed, and the most suitable mode shall be the mode which is used.

Mr. REGAN: If there is an existing trucking service which does not agree with the federal authority with regard to what the rate shall be and therefore wants to discontinue its service, is it free to do so without authority of the board?

Mr. McCORIE: Yes; I would say it would be free to do so, but I think the authority, as we interpret it, should have the power to provide such service if the private company wishes to withdraw.

Mr. REGAN: Would you allow a trucker to go into an area served by a railway?

Mr. McCORIE: If the authority thought it would be in the public interest to do so, the answer would be yes.

Mr. REGAN: In other words, you would leave it in the hands of the authority to decide whether a trucker could provide service duplicate to the railway. The trucker would not be free to decide that himself?



Mr. McCORIE: Yes.

Mr. REGAN: You said earlier you thought he should. You are saying the trucker would not be free; is that correct?

Mr. McCORIE: Yes.

Mr. ATKINSON: May I make a comment? There seems to be a trend developing in which railway companies now have moved into the trucking business. This seems to be a fairly significant development.

The VICE CHAIRMAN: Not seems to; it is.

Mr. REGAN: We are cognizant of that. Your suggestion is that you would not only regulate this, but also the truckers going across provincial boundaries, whether the man has one truck or 100 trucks.

Mr. McCORIE: Yes.

Mr. REGAN: And you say he cannot provide the service in competition with the railway unless the federal authority says so, but the trucker can abandon the service without getting permission to do so.

Mr. McCORIE: Let me put it this way. I do not think a trucker should be required to provide a service in which he cannot cover his costs of operation, without the right to expect some kind of a federal subsidy. Having had the opportunity of receiving a federal subsidy to cover the loss as a result of providing the service, if he feels he wishes to withdraw, we see no reason why he should not; but we are suggesting in this case it would be in the interests of the federal government, through, for example, the Canadian National Railways which is already in the trucking business, to apply that service to that area.

Mr. REGAN: If we are going to become too much involved in the business of trucking by regulation, do not the reasons you have given for nationalization of the Canadian Pacific Railway—to avoid duplicate service and to tie into the service provided by the C.N.R.—also apply to nationalization of the interprovincial trucking business.

Mr. McCORIE: Yes. We would not recommend it at this time. We feel that members of parliament, and sometimes the public in general, change in a rather gradual and slow way; I am thinking of a change in attitude. We would prefer to give them a taste of good medicine drop by drop.

Mr. REGAN: I see. I think we find your views somewhat surprising. Let me ask one more question. What criteria would you use in determining whether a subsidy should be provided to a specific provider of service? Are you going to consider the regional considerations; are you going to determine this on the basis of the benefit to the economy of the nation as a whole, or that of a particular region? In general, how are you going to decide when a subsidized service should be provided?

Mr. McCORIE: Obviously, there is a difference here between trucking and railway considerations as they now exist in Canada, for the simple reason that railways do operate coast to coast as you know, and trucking firms do not necessarily do so. Trucking companies in the areas in which they work tend to be regional at this time. I think your question is a technical one. The problem is whether the subsidy is on the region or the whole country. Quite frankly, I do not think we could answer that question at this time.

Mr. REGAN: Even in areas where truckers are in competition with the railroads, as they are, for instance, in the St. Lawrence ports from Ontario, you would not allow the truckers to set a different or lower rate than the railways; they would have a fixed rate and you would not allow freedom of rate making. There would be no competition between trucks and the trains.

Mr. McCORIE: We could foresee the possibility of a difference in rate, depending upon the commodity. Certain commodities lend themselves to railway transportation; other commodities do not. There might be a difference, therefore, in the rate.

Mr. REGAN: The federal authority would decide which would go by truck and which by rail?

Mr. McCORIE: Not necessarily, but by allowing the rate it would in effect make this kind of decision.

Mr. MACEWAN: Could you tell me how many persons would be on this federal authority to which you refer here?

Mr. ATKINSON: We have not concerned ourselves in terms of number of persons on the federal authority.

Mr. MACEWAN: Your federal authority would go into all the matters now under the jurisdiction of the board of transport commissioners, including construction, maintenance, operation, and rates of railways, rates of telephone, telegraphy, and express companies, the tolls on international bridges and tunnels, the licensing and rates of ships on the great lakes, and any other matter defined in the act. You would also include things under the air transport board which is given jurisdiction to regulate air transportation in Canada. In addition, you would include matters under the Canadian Maritime Commission having to do with the subventions for coastal steamships, and so on. All these matters would be dealt with by this federal authority. On page 13 you say:

The obvious and glaring failure of the federal government, and, in the last analysis, parliament, to provide for a federal authority to plan transportation services on a national basis and in the national interest is disconcerting.

To place all these things under one authority with any number of people that are dealing with all these matters, and in a country the size of Canada, and having regard to the time element and the volume of applications, and the number to be dealt with, do you not think that the result would be a bit disconcerting?

Mr. McCORIE: Why would you make this suggestion?

Mr. MACEWAN: I asked you this question. I mean that now they are separate. But if all these matters were to be brought together, we all know that these various things do take time, and that it takes time to make an application before the board of transport commissioners and so on, do you not think that the result would be disconcerting if these matters were to be dealt with under one body? Would it not make it rather hopeless?

Mr. McCORIE: What you suggest in effect is that in a large bureaucracy, the board would be by your definition inept and incompetent.

Mr. MACEWAN: No. Do you not think that, having regard to the time element, it would make it almost impossible to get decisions in these various matters, and that it would take a very long time?

Mr. McCORIE: No, far from it. I think our experience in North American administration, beyond a shadow of a doubt, has been that large bureaucracies with sophisticated and enlightened management can operate very effectively. Take for example General Motors. That is a gigantic corporation, but if you want a lesson in efficiency and economy and in enlightened management, just visit General Motors at Detroit.

Mr. MACEWAN: Do you not think that time is important, and that it could be dealt with much more efficiently not under one authority?

Mr. ATKINSON: I would say that it would be not only dealt with more efficiently, but we would also have a better utilization of our capital resources within the nation's transportation, and a better pattern of transportation development.

Mr. MACEWAN: You think this authority should be made responsible to the Minister of Transport and then let one minister deal with it.

Mr. ATKINSON: With respect to the question of where the authority ought to be that is responsible, we think it ought to be thrown on the responsibility of the Minister of Transport. Let me give you a hypothetical case. My parents were Irish. They came to Canada under the Department of Immigration. They liked potatoes. It seems to me that it would make as much sense to put potatoes under the minister of immigration as it would to put transportation under the Department of Agriculture, for example.

Mr. DEACHMAN: My question has been answered.

The VICE CHAIRMAN: I have Mr. Deachman, Mr. Stewart, and Mr. Kindt.

Mr. DEACHMAN: My question has already been answered.

Mr. STEWART: Mr. Chairman, as you know, I come from one of the maritime provinces and consequently some of the specific references in this brief are not ones which concern me except as a member of the House of Commons. But there is a suggestion that has emerged from the discussion this afternoon which I would like to follow up briefly.

I want to suggest to the gentlemen before the committee that in the maritime provinces we have been complaining about the effects of what we have been calling competition of rates in central Canada, and we have said that effective competition combined with certain other factors has destroyed the effectiveness of the Maritime Freight Rates Act of 1927. We are now told that in this field competition is a kind of illusory concept. My question is simply this. Are we to take you seriously?

Mr. ATKINSON: We would not appear before you unless we were serious. I would hope that you would take us seriously.

Mr. STEWART: In other words, the representations made to this committee this morning by the port of Halifax commission are really a figment of a distorted maritime imagination.

Mr. McCORIE: We would not say that until we had an opportunity to examine their brief in detail. We are not denying the existence of competition. We are going along with someone you have read about, Joseph Schumpeter, when he says that there is competition which appears in the form of new techniques, new developments, new means of transportation, new methods of organization; and that the price of competition per se is a kind of figment of the economist who write introductory text books on economics. All one has to do is to examine the record and examine the history of the development of corporations and one sees quite clearly that this is true. Of course there are some exceptions. There are exceptions to every rule.

Mr. STEWART: I think this demonstrates that when we have witnesses before this committee in future who use the term competition we are going to have to ask them for a rather sophisticated definition of the term.

Mr. McCORIE: We might ask Mr. Regan for his definition of the term.

Mr. KINDT: This primarily is a national planning approach with your fourth recommendation, and the creation of an agency under authority to assist in the determination of the need for services. What you have in mind there, and what you have already said, if I gathered it rightly, is not to place any reliance on the cost factor or figure, but to give it its additional term of



service or need. In other words, it might be conceivable that a branch line ought to be abandoned without having regard to any cost figures whatsoever. I think you are right, and I want to put that on record. I agree with you in this area about your cost figures. Your accountants have had plenty of experience in it; and from the experience which most of us have had, I am sure that such figures are unreliable. You just cannot tie in to them. You cannot break the thing down.

Take a business corporation which has from 10 to 12 departments. You have to have the over-all picture first, and then divide up your costs to find out what they are for each particular department. That is where you get into arbitrariness. But the decision is finally made primarily on the basis of those who are most intimately connected with it, and who know about the business. Your railroads should be handled in the same way.

Mr. McCORIE: Yes.

Mr. KINDT: Yes, primarily. There are some very fine things in your recommendations, but I do not agree with saddling the broad back of the big family—mostly in your number five recommendation—of the taxpayers of the nation with a thing that is not paying now.

Mr. PRITTIE: What is not paying now?

Mr. KINDT: The Canadian Pacific Railway. They claim that certain branch lines are not paying now, or they would not be in trouble getting a government subsidy.

Mr. ATKINSON: If I may be permitted to comment, we are now saddling the taxpayers, and we have been saddling the taxpayers of the nation for many years with the cost of the Canadian Pacific Railway. We think that the time has come when we should remove the Canadian Pacific Railway from the backs of the taxpayers. This may envisage some adjustment in resources, and this will envisage some resources. For example, I have a map here of Saskatchewan. If you take the Canadian National Railways and the Canadian Pacific Railway lines from Saskatoon to Edmonton you will find that in at least one spot, and probably in two, they run on the same roadbed. If this is not a waste of resources, then I do not know what is. On this question of competition it seems to me that in this situation you have duplication of facilities and services on both lines.

Mr. KINDT: This brings me to another question. Do you visualize that nationalization and national planning might of itself freeze and prevent the evolution of the transportation system such as we have it under freedom of enterprise?

Mr. ATKINSON: I think it was Winston Churchill who at one point said that in the development of a nation it is necessary to operate transportation facilities as a public utility. I think, contrary to making it more difficult to adjust the resource, that resource adjustment would be done with much greater ease and much more efficiency than is currently being done as the result of kidding ourselves that in this sense we are in a free enterprise economic climate.

Mr. McCORIE: May I add to that? I think this point is well taken. I do not think there can be any dispute about the fact that if what some people refer to as free enterprise had been assigned the task of developing that rail network and system of canals which was necessary to bring about political confederation we would never have had confederation in this country because you simply do not get people in a capitalist economy to invest money in areas which are not going to bring a return. The vice-president of the Canadian Pacific Railway himself makes this point very clear. It is also very clear that in terms of our

own historical development transportation was necessary to achieve political goals even though the construction of those transportation facilities did not realize a return of the public expenditure and investment.

We are not quarrelling with capitalism, at least at this particular time. What we are saying is that the historical precedent set up in the 19th century and the function of transportation in a modern, changing and developing industrial economy are still the same and still hold true today.

Mr. KINDT: Is it your opinion then that society should come along to the railroad after its nationalization and bail out everybody that has put a dollar in there and that may still have an equity, or should you run them through the wringer like business does, set up a system which is, by evolution, just right to operate, and let competition do that? Should we follow that particular procedure or, as you are recommending here, say, "the railroads are a difficulty; many of the branch lines are going to go by the board, now will be the time to nationalize them"? Is it your purpose in nationalization to bail out the people that are in there now, or to give service to the people?

Mr. McCORIE: We are not advocating nationalization for nationalization's sake, but we submit that in the case of the railroads and perhaps ultimately in the case of the trucks or interprovincial trucking, nationalization will be the sensible and intelligent approach to providing Canada with an economic and efficient transportation network.

Mr. KINDT: I have one other question. You do not happen to be a member of parliament like the rest of us. Once you get this under some national organization and you start abandoning a line, think of the pressures that will be brought to bear, think of the length of time that this line will be kept in service when it should have been abandoned years ago. In other words, this will be a perpetuation of inefficiency.

Mr. ATKINSON: Might I comment on this? I think you raised a very important point, the pressure that can develop as a result of nationalization. It is our opinion that if the proper information can be obtained through the introduction of an agency which would be an information agency based on the socio-economics of the situation of a particular industry in a particular community and would determine whether or not it is economically feasible or economically justifiable to abandon a railway line, if you take this information back to the community and give to that community the black and white picture, then of course this pressure will be released. You can shake your head and say no, but the fact is that up until this point in time we really have not presented this kind of information to the community in an organized way and in a manner in which it might understand it.

Mr. McCORIE: Maybe I could add to this and refer to the Canadian wheat board which has been established now for some years. It too was a government marketing agency. We are not saying that political pressure has not been brought to bear recently; we know, as a matter of fact, it has. We also know that politicians have laid claims to some of the successes which the Canadian wheat board has enjoyed in recent years. However, I wish to draw your attention to the fact that owing to its integrity the wheat board has been able to withstand these kinds of pressures and controversies. It still functions as effectively as it has before. As a matter of fact, we know of no politicians from any political parties who have been to our conventions in recent years who received a standing ovation. Farmers are not prone to showing their emotions, as you may know, but Mr. MacNamara, the chairman of the wheat board, did receive such a standing ovation when he appeared at our convention two years ago. I think it shows the very high regard which the agricultural community in the west has for the chief commissioner and his colleagues.

Therefore, what we are saying is that we would not deny the possibility that there can be political pressures brought to bear. What we do suggest is that it is not impossible to create a climate in which an authority of this kind could function.

Mr. KINDT: I would not agree with you about the wheat board, and I might say that I have helped to set up the wheat board and to organize it; I have helped in the creation of the pools. What you say about the wheat board being an organization which has met the approval of the farmers of western Canada is perfectly true. They would not do without them for anything. However, to say that that is synonymous with an organization that might now be set up to abandon railroads and to integrate all of these transportation systems is a different thing.

Mr. McCORIE: We are not saying it is the same thing; we are saying it could be synonymous.

Mr. WATSON: I have a supplementary question to ask. I wonder if you feel that the Canadian National Railway is run more efficiently than the Canadian Pacific Railway; that Air Canada is run more efficiently than Canadian Pacific Airlines and that the large trucking concerns that are actually owned by the railway companies are more efficient than the big independent trucking lines.

Mr. McCORIE: In regard to the passenger service of the Canadian National Railway there can be no doubt that in recent years it has offered a far superior service to that offered by the Canadian Pacific Railway.

Mr. WATSON (*Assiniboia*): Did you say that the C.N.R. was more efficient than the C.P.R.?

The CHAIRMAN: The C.N.R. is more efficient in its passenger service than the C.P.R.

Mr. McCORIE: Yes. I have never had the opportunity of flying on a Canadian Pacific Airlines plane so I cannot comment on it but I have had no complaints with Air Canada.

Mr. WATSON (*Assiniboia*): I am not speaking of flying on them but of their efficiency.

Mr. McCORIE: Surely it is the ultimate acid test of efficiency whether or not the customer is satisfied.

Mr. WATSON (*Assiniboia*): No, it is not proof of the dollars and cents that come in. You could get into anybody's car and have a good ride but it is the man driving the car who has to consider whether he is making more money or not.

Mr. McCORIE: What is the relevancy of the question of efficiency if it does not apply to the consumer?

Mr. WATSON (*Assiniboia*): The reason I am asking this is that if you want to nationalize the Canadian Pacific Railway you must have reached the conclusion that the Canadian National Railway is more efficient dollar-wise.

Mr. McCORIE: I do not follow you.

Mr. ATKINSON: It is not a question of which one is more or less efficient, it is a question of the utilization of resources that are available and that are being used in Canada for the purpose of transportation. We feel that bringing it under one administration and thereby removing the duplication of facilities and services would create a much more efficient unit of transportation than we presently have. It would be easier for adjustments to take place within the transportation field.

Mr. WATSON (*Assiniboia*): This all boils down to the efficiency to eventually do away with subsidies and make it self-supporting.



Mr. ATKINSON: We would hope so. We would hope this would be the case in large measure.

Mr. McCORIE: If Canadian National Railways are not efficiently run, then surely there is a question we would like to put to you: Why is it not efficiently run? You are ultimately responsible for the operation of Canadian National Railways. If Canadian National Railways are not efficiently run, the members of the public would want to know why it is not.

Mr. WATSON (*Assiniboia*): I think we all would.

Mr. McCORIE: If you do not have the power to see that Canadian National Railways are efficiently run, then who does?

The VICE CHAIRMAN: It is getting close to 5.30, gentlemen. I still have Mr. Millar on my list of those members wishing to put questions. The witnesses have to be relieved by 5.30 p.m.

Mr. MILLAR: My question is to Mr. Atkinson and it is in connection with rail line abandonment and presentation of such information to the community concerned.

Mr. ATKINSON: Would you rephrase your question?

Mr. MILLAR: I wish to ask a question in connection with the presentation of information to a community where there is about to be a rail line abandonment.

Mr. ATKINSON: Yes.

Mr. MILLAR: Do you not think the public hearings that are now held in each case—and they are going on daily—provide the necessary information to the community concerned, and the opportunity for the representatives of that community to express their views?

Mr. ATKINSON: The answer to your question is that with the present method, the hearing is based on too narrow an area to obtain a proper assessment of the socio-economic implication of rail line abandonment within a region. In other words, we are dealing with a very small area, and our point is that if we are to deal with it, then we must deal with it on the basis of the total area affected.

Mr. MILLAR: My reason for asking this question is that in my experience when a small railroad serving a small community is to be cut off, all the merchants and the residents of that community will appear at the hearing and object to the line being closed, but when one asks them how they travel, the answer is that they use their own automobiles. When one asks them how their merchandise is handled, they say, "Oh, well, we ship and receive by truck." They can raise all kinds of objections why the line cannot be closed, but they do not use it.

Mr. McCORIE: Are you asking whether we agree that this situation exists? This is why we have suggested there should be another component added here to public hearings. We think public hearings can be abused, but ultimately we think they are of service both to the authority and to the community. In addition, we think there should be an agency, the specific functions of which are investigative. In other words, it would be staffed with economists, transportation economists, sociologists, and what have you. Their function would be to complement the services presently held by public hearings, and they would undertake regional and even national studies, which would be continually revised and updated. These studies, in turn, would provide in part a basis for the authority arriving at some kind of rational and intelligent decision.

Mr. MILLAR: In a short answer, could you explain the difference between the function of this authority which you propose and the function which is now taken care of by the board of transport commissioners?

Mr. McCORIE: It would be taking one of the present functions of the board of transport commissioners and putting it in a separate agency.

Mr. FORBES: May I ask a supplementary question?

A few minutes ago you made reference to nationalizing the Canadian Pacific Railway in order to "take them off the backs" of the Canadian taxpayer. What difference is there between having Canadian Pacific Railway on the backs of the taxpayer and having Canadian National Railways on their backs?

Mr. McCORIE: We have given four reasons why we think the Canadian Pacific Railway should be nationalized. We submit these four reasons must be considered as a whole.

The VICE CHAIRMAN: They are contained in the brief, Mr. Forbes.

Mr. FORBES: I did not understand that you had qualified it.

The VICE CHAIRMAN: If there are no further questions, I wish to thank Mr. Atkinson and Mr. McCorie for being here all day. This has been one of the most stimulating briefs which has been presented, and members have taken a great deal of interest in it. I want to thank you, Mr. Atkinson and Mr. McCorie, for attending here.

I would like to bring to the attention of members of the committee that the committee will meet on Thursday morning at 9.30 in room 308 in the west block, to hear a brief from the Canadian Manufacturers Association and from the Branch Line Association of Manitoba, and at 3.30 in this room, 253D.

Mr. STEWART: I move adjournment, Mr. Chairman.

The VICE CHAIRMAN: I have a motion for adjournment from Mr. Stewart, seconded by Mr. Kindt.

Motion agreed to.

The committee adjourned.

## APPENDIX "D"

THE PORT OF HALIFAX COMMISSION  
10 Duke Street, Halifax

Brief to the Standing Committee of the House of Commons  
on Railways, Canals and Telegraph Lines  
to which has been referred

Bill C-120

"An act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act"

MARCH, 1965

The Chairman and Members  
Standing Committee of the House of Commons  
on Railways, Canals and Telegraph Lines

Honourable Members,

Unless it is amended, Bill C-120 would inevitably increase the transportation disabilities and disadvantages of the Atlantic Provinces.

It would turn the nation's back on pronouncements and obligations given at Confederation.

It would aggravate our region's disabilities in domestic transportation; make the national government the instrument of additional attrition of the benefits intended by the Maritimes Freight Rate Act; alter port/rail rates to the further disadvantage of the Atlantic Provinces; discriminate against the predominantly small shippers of our region; and cause a grave threat to the future of the Port of Halifax.

The Port of Halifax Commission consequently values the opportunity to place before you, for your urgent and earnest consideration, representations and recommendations in these matters.

\* \* \* \*

"I don't hesitate to say with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political union for the Colonies. It cannot be denied that the Railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada.

"Whilst we have the St. Lawrence in Summer, and the American ports in the time of peace, we have all that is requisite for our purposes. We recognize, however, the fact that peace may not always exist, and that we must have some other means of outlet if we do not wish to be cut off from the ocean for some months in the year. We wish to feel greater security—to know that we can have assistance readily in the hour of danger.

"In the case of a union, this Railway must be a national work, and Canada will cheerfully contribute to the utmost extent to make that important link without which no political connection can be complete.

"What will be the consequence to this City, prosperous as it is, from that communication? Montreal is at this moment competing with New York for the trade of the great West. Build the road and Halifax will soon become one of the great emporiums of the world."

. . . . John A. MacDonald



"I have heard since I have been in Halifax, the objection thrown out that there is much danger that you would be absorbed. It will be very easy for me to dispel such fears.

"I answer them by a question: Have you any objections to be absorbed by commerce? Halifax through the Intercolonial Road will be the recipient of trade which now benefits Portland, Boston and New York. If you are unwilling to do all in your power to bring to a satisfactory consummation this great question, you will force us to send all this trade which you ought to have through American channels. Will the people of Nova Scotia or New Brunswick be better off because they are not absorbed by commerce or prosperity?

"It is as evident as the sun shines at noon that when the Intercolonial Railway is built—and it must necessarily be built if that confederation takes place—the consequence will be that between Halifax and Liverpool there will be steamers almost daily leaving and arriving at the former—in fact it will be a ferry between Halifax and Liverpool. (Cheers)."

. . . . Georges Etienne Cartier

From the "phonographic report" of the Dinner given in honour of Colonial Delegates at Halifax, September 12th, 1864, in the "British Colonist" newspaper, September 15th, 1864.

Even before Confederation, our region was very much alive to the promise of railways. It was seen that railways would improve our communications and open up our own hinterland for development. Many of our people were confident that railways would open markets for coal, fish and manufacturers in the Canadas, and draw the expanding commerce of the interior to our sea-ports. For almost the first time we began to feel the pull of the continent at our backs.

For upwards of 20 years before Confederation, we tried to secure the building of a railway to connect Canada with our winter ports. But projects for the Intercolonial road had always collapsed. It was not attractive to private capital. Governments in the colonies were not able to agree on the terms on which it should be built as a joint project. They did, however, build pieces of railway, designed to fit into larger schemes but insufficient to give the external connections they desired. By the time of Confederation, 379 miles of railway had been built.

On the eve of Confederation, our region, with a mature and prosperous economy, was beginning to feel the pressures of a revolution in transportation. Having debated whether the promise of an intercolonial railway was worth the risks and the obligations of political union with Canada, it was decided to enter the Union.

"The Intercolonial Railway was completed in 1876, and it would appear from the evidence we have received that from then until 1912 the interests of the Maritime provinces were fairly well safeguarded, the freight rate structure being such as to take into account the requirements of their traffic. The lower level of rates that prevailed on the Intercolonial Railways system prior to 1912 is, in our view, rightly to be interpreted as the fulfillment by successive governments of the policy and pledges that surrounded the railway from its inception, whatever impressions may have been created by the form of its administration." (Royal Commission on Maritime Claims, 1926)

"While a detailed analysis of the early rate structure of the Intercolonial Railway might be desirable, it is doubtful whether this would serve to clarify significantly the main policy considerations in regard to the rates on the line. It is sufficient to note that the actual rates on the Intercolonial were based on the rates on other railways in Canada, but they were generally lower as a direct result of government policy in regard to the operation of the line". (Submission to the Royal Commission on Transportation by the Maritimes Transportation Commission, 1961, p. 7)

About 1912, the Intercolonial began to increase its freight rates relative to other Canadian railways. The program is described in the submission by the Maritimes Transportation Commission to the Royal Commission on Transportation (1960):

Numerous other instances could be cited to show how rates on the Intercolonial were increased during this period (i.e. 1912 to 1923), some by over 200%, and where special rates were cancelled and higher rates substituted contrary to the rate policy of the line prior to 1912. This "levelling-up" process was completed in 1923 when the Intercolonial became part of the Canadian National Railways System and thus subject to the jurisdiction of the Board of Railway Commissioners. At this time, rates on the Intercolonial had reached the level of those in Ontario-Quebec and their intended lower basis had completely disappeared.

The Royal Commission on Maritime Claims (Duncan Commission) 1926, had this to say about the increased freight rates:

We have come very definitely to the conclusion that the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the Maritime Provinces (a) a burden which, as we have read the pronouncements and obligations undertaken at Confederation, it was never intended it should bear, and (b) a burden which is, in fact, responsible in a very considerable measure for depressing abnormally in the Maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood.

The findings and recommendations of the Duncan Commission led to the Maritimes Freight Rate Act which conferred "certain statutory advantages" in rail rates on the Maritimes. In practice, these statutory advantages provided for reduction of 20% in all freight rates within "select territory" (approximately the Maritime Provinces) and 20% reduction in the select territory portion of the haul from points within it to Canadian points west of it.

The basis of the 20% reduction is significant:

for our present purpose, it is more material to notice that the President of Canadian National Railways admitted in evidence, that in administering the Atlantic Division (the greater portion of which is the old Intercolonial system) no account is being taken in the rate structure of today of the special considerations which attach to it as revealed in the pledges and pronouncements already referred to. We feel that the increase arising from the changes that have taken place in the freight rates in 1912—over and above the general increase that has taken place in other parts of the National system—is as fair a measure as can be made of these special considerations, and accordingly should be transferred from the Maritimes to the Dominion so that the original intention may be observed. We recommend, therefore, an immediate reduction of 20% . . . . (Duncan Commission)

Section 6 of the Maritimes Freight Rate Act provided that the rates so reduced were to be considered statutory rates and as such "not based on any principle of fair return to the Railway for the service rendered in the carriage of the traffic". Section 8 of the Act provided that the federal government should pay to the railway the difference between the normal and reduced rates.

Over the years, there was a fairly constant attrition, largely caused by various horizontal freight rates increases, of the benefits of the Maritimes Freight Rate Act. The Preliminary Report of the Royal Commission on Canada's Economic Prospects, 1956, acknowledged that "the transportation facilities of the Atlantic region are in need of improvements". In its Final Report, the Commission went even further: It recommended "a re-examination of the present effects of the Maritimes Freight Rate Act".

In the course of his Budget Speech of March 14th, 1957, the then Minister of Finance responded to the Royal Commission's findings:

There is one matter on which it is possible to act immediately. I refer to the special difficulties of the Atlantic Provinces caused by the various horizontal increases in railway freight rates over the last decade. These increases have fallen rather more heavily on the traffic moving from the Atlantic region to central Canada than on rail movements within the central provinces. As a consequence the competitive position of Maritimes products in the Montreal area and points west has been adversely affected.

A study of the average increase in freight rates since 1947 on this traffic, as compared with the increase in the rest of Canada, shows that an increase in the subvention paid under the Maritimes Freight Rate Act is justified. That is, an increase in the subvention from its present 20% level to a level of 30% in the case of outbound traffic will restore these rates to the position they occupied in relation to other Canadian rates at the end of World War II.

What is the situation today? How effective is the Maritimes Freight Rate Act, as amended, without Bill C-120? Differentials in favour of non-Maritimes shippers have increased with commodity after commodity.

In its present form, Bill C-120 would surely aggravate this situation. We take particular exception to Section 334 of the Bill. It will be well to quote this proposed section:

334. (1) Except as otherwise provided by this Act all freight rates shall be compensatory; and the Board (of Transport Commissioners) may require the company issuing a freight tariff to furnish to the Board at the time of filing the tariff or at any time, any information required by the Board to establish that the rates contained in the tariff are compensatory.

(2) A freight rate shall be deemed to be compensatory when it exceeds the variable cost of the movement of the traffic concerned as determined by the Board.

(4) The Board may disallow any freight rate that after investigation the Board determines is not compensatory.

The Board's interest, so long as a railway monopoly does not exist in the carriage of any particular item, would thus be only to assure that the rate is compensatory. In effect, the Board would control minimum rates but maximum rates would be limited only by competition. Truck competition with the railways between the Atlantic Provinces and the rest of Canada is much weaker than it is, say, between Quebec and Ontario. It follows that the railways



would be enabled to charge increasingly higher rates between Atlantic and central Canadian points than between one central Canadian point and another.

And could the railways not arbitrarily declare, if Bill C-120 were to pass in its present form, any or all of the existing rates between the Atlantic Provinces and central Canadian destination to be non-compensatory, and then bring into play the covenant statutory obligation in Section 334 to increase them?

What then is the position as regards domestic freight rates in the Atlantic region and between the Atlantic and central Canada region?

The Maritimes Freight Rate Act was supposed to secure "certain statutory advantages" to Maritimes' shippers. These advantages are in substance the percentage difference in favour of Maritime shippers that existed before 1912 between the general level of rates on the Intercolonial system and the general level of rates "in other parts of the National system". This relationship was confirmed and re-established by the Maritimes Freight Rate Act of 1927, and was thought to have been re-established in 1957 when by implication the principle of a favourable differential in rail rates in "select territory" and from "select territory" to central Canada as compared with rates between central Canadian points, was reaffirmed.

But not only has this differential favouring Maritimes' shippers disappeared; in many cases the differential now substantially favours central Canadian shippers. Not only have Maritimes shippers lost those "certain statutory advantages" that were to have given them access to central Canadian markets, but many non-Maritimes competing products now move to the central markets with a substantial freight rate differential in their favour.

On top of this situation, it is now proposed to place Bill C-120.

Bill C-120 could only result in freight rate increases. The railways could be expected to increase their rates most sharply where their competition is weakest and to apply lesser and fewer increases where their competition is strongest.

The Atlantic region could thus expect relatively rapid and substantial rate increases, while in central Canada, where the general level of railway rates is already lower than in the Atlantic region, rate increases would be less substantial and less frequent.

Bill C-120 would also be harmful to Maritime import and export rail rates. These are of great importance to the Maritimes' economy by reason of the major contribution made to it by steamship and export and import movement through the ports of Halifax and Saint John. The value of services rendered to steamships and cargo at the port of Halifax alone approximates \$20,000,000 a year. If the cost of moving central Canadian cargoes to and from Halifax and Saint John were to exceed the cost to and from United States ports in winter, cargo could be expected to divert to American ports. Longshoremen, freight handlers, customs brokers, shipping agents, and railway employees themselves in the Atlantic Provinces would be adversely affected.

Export and import rail rates to all ports (United States east coast as well as Canadian) are now governed by an agreed "port parity rate structure", which ensures that, irrespective of distance from a common point of origin to two or more ports, the export rate will be the same or nearly so as between various ports. Halifax and Saint John are thus provided an opportunity of attracting cargoes despite their relative distance from points of origin.

The Maritimes Freight Rate Act, whatever its worth in ameliorating domestic rail problems in the Atlantic region, does not apply to import and export rail rates other than to a very few export rates for goods originating in "select territory", which would not in any event come within the port parity rate structure.

Bill C-120 could mean the diversion in winter of large tonnages through-traffic from Canadian to United States ports with corresponding loss of employment and business at Halifax and Saint John. As a guide to the gravity of our concern, the Port of Halifax now handles some 800,000 tons of through-cargo a year, with an estimated value to the local economy, for labour and services, of at least \$12 a ton.

In thus placing a brief outline of its principal objections to Bill C-120 in its present form before you, the Port of Halifax Commission iterates its long-standing position that whenever and whatever measures are required to secure for the Atlantic region the constantly competitive freight rates pledged to it at Confederation and by subsequent statutes and Royal Commission studies, the cost of such measures should be borne by the federal treasury and not by the railways.

Indeed, in view of the fact that the Royal Commission on Transportation, while recognizing the problems, made no specific recommendations to alleviate the transportation difficulties of the Atlantic region, which the Port of Halifax considers could only be aggravated by Bill C-120 in its present form, we earnestly ask that your Standing Committee recommend:

1. That a Royal Commission be appointed to investigate the whole field of transportation in the Atlantic region and between the Atlantic region and central Canada, the terms of reference of such a Commission to include:

- (a) an evaluation of the claims of the region in the field of transportation;
- (b) equalization of Atlantic region users' costs with transportation costs in other regions of Canada; and
- (c) the present effectiveness of the Maritimes Freight Rate Act;

2. That Bill C-120 in its present form, be set aside pending the undertaking and completion of such Royal Commission study; or, alternatively that, pending such study, the Atlantic Provinces of Canada be excluded from the provisions of the Bill; and

3. That there be periodical reviews of Atlantic region transportation at intervals not greater than 10 years with a view to adjustments necessary to sustain the region's competitive transportation position.

J. Wm. E. Mingo,  
*Chairman.*

## Exhibit I

## APPENDIX "E"

EXHIBIT PREPARED FOR STANDING COMMITTEE ON RAILWAYS,  
CANALS AND TELEGRAPH LINESSubject: Comparison of Rail Traffic Moving Under  
Different Rate Classifications

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Department of Transport, March 8, 1965.



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COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC  
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS  
1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
		1949	82	4.3	1,631	86.5	166	8.8	8	0.4	—	1,887
		1951	93	4.4	1,604	78.2	345	16.8	13	0.6	—	2,055
		1952	91	3.3	2,255	81.0	413	14.9	23	0.8	—	2,782
		1953	107	4.2	2,039	79.3	411	15.9	15	0.6	—	2,572
		1954	82	2.8	2,076	71.8	719	25.0	11	0.4	—	2,888
		1955	69	2.9	1,693	70.3	622	25.8	24	1.0	—	2,408
		1956	60	3.1	1,302	66.8	555	28.5	31	1.6	—	1,948
		1957	74	3.8	1,192	62.0	618	32.1	41	2.1	—	1,925
		1958	66	3.6	1,024	56.2	673	36.8	62	3.4	—	1,825
		1959	75	4.5	895	53.4	484	28.9	222	13.2	—	1,676
		1960	74	3.6	1,131	54.3	488	23.5	388	18.6	—	2,081
		1961	75	3.9	1,028	52.9	476	24.6	361	18.6	—	1,940
		1962	52	2.5	1,143	56.3	434	21.2	407	20.0	—	2,036
		1963	62	3.0	1,047	51.2	490	23.8	454	22.0	—	2,053

MARITIME REGION  
EASTERN REGION  
MARITIME REGION  
WESTERN REGION

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.  
Department of Transport March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC  
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS  
1949-1963

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From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
MARITIME REGION	EASTERN REGION	1949	116	11.8	792	80.7	74	7.5	—	—	—	982
		1951	143	14.2	791	78.7	71	7.1	1	—	—	1,006
		1952	86	11.8	596	81.4	50	6.8	—	—	—	732
		1953	73	10.0	586	80.1	69	9.4	4	0.5	—	732
		1954	74	10.6	436	62.4	182	26.1	6	0.9	—	698
		1955	46	7.3	388	62.0	160	25.6	32	5.1	—	626
		1956	68	7.9	572	66.6	164	19.1	55	6.4	—	859
		1957	37	5.6	401	60.7	88	13.3	135	20.4	—	661
		1958	83	12.1	364	52.9	93	13.5	148	21.5	—	688
		1959	36	5.3	346	50.7	110	16.2	189	27.8	—	681
		1960	29	4.5	314	48.7	103	16.0	199	30.8	—	645
		1961	39	6.2	282	44.7	110	17.5	199	31.6	—	630
		1962	42	6.0	301	43.2	114	16.4	240	34.4	—	697
		1963	24	3.1	323	42.5	129	17.0	285	37.4	—	761

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic"; Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.

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MOVING UNDER DIFFERENT RATE CLASSIFICATIONS  
1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
MARITIME REGION	WESTERN REGION	1949	13	56.6	7	30.4	3	13.0	—	—	—	23
		1951	13	61.9	1	4.8	7	33.3	—	—	—	21
		1952	15	71.4	5	23.8	1	4.8	—	—	—	21
		1953	13	81.3	3	18.7	—	—	—	—	—	16
		1954	8	61.5	4	30.8	1	7.7	—	—	—	13
		1955	7	77.8	2	22.2	—	—	—	—	—	9
		1956	7	41.2	10	58.8	—	—	—	—	—	17
		1957	3	27.2	7	63.7	—	—	1	9.1	—	11
		1958	1	20.0	3	60.0	1	20.0	—	—	—	5
		1959	3	21.4	7	50.0	—	—	4	28.6	—	14
		1960	2	40.0	1	20.0	—	—	2	40.0	—	5
		1961	4	25.0	6	37.5	1	6.2	5	31.3	—	16
		1962	—	—	1	20.0	—	—	4	80.0	—	5
		1963	3	25.0	5	41.7	1	8.3	3	25.0	—	12

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic"; Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.



COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC  
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS  
1949-1963

EXHIBIT I  
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From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
EASTERN REGION	MARITIME REGION	1949	384	38.3	416	41.4	193	19.3	10	1.0	—	1,003
		1951	368	41.2	515	57.7	6	0.7	4	0.4	—	893
		1952	371	45.7	402	49.4	35	4.3	5	0.6	—	813
		1953	348	49.0	323	45.5	36	5.1	3	0.4	—	710
		1954	275	30.4	562	62.0	63	6.9	6	0.7	—	906
		1955	178	20.2	546	61.9	155	17.6	3	0.3	—	882
		1956	240	23.9	524	52.3	225	22.5	13	1.3	—	1,002
		1957	278	30.4	439	48.1	180	19.7	17	1.8	—	914
		1958	240	29.8	385	47.8	149	18.5	31	3.9	—	805
		1959	199	29.5	237	35.1	178	26.4	61	9.0	—	675
		1960	178	22.6	318	40.2	207	26.2	87	11.0	—	790
		1961	189	17.8	542	51.0	242	22.8	90	8.4	—	1,063
		1962	143	16.6	378	43.9	221	25.6	120	13.9	—	862
		1963	189	15.8	568	47.6	228	19.1	210	17.5	—	1,195

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.

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1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
EASTERN REGION	EASTERN REGION	1949	894	9.2	6,043	62.2	1,796	18.5	973	10.1	—	—
		1951	745	9.1	5,209	63.0	1,318	15.9	992	12.0	—	—
		1952	726	7.3	6,138	61.8	1,802	18.2	1,262	12.7	—	—
		1953	462	5.3	4,984	57.5	1,952	22.5	1,280	14.7	—	—
		1954	354	4.2	4,685	56.6	2,200	26.5	1,047	12.7	—	—
		1955	325	3.7	3,796	43.7	3,730	42.8	850	9.8	—	—
		1956	338	3.7	3,980	43.7	3,625	39.9	1,160	12.7	—	—
		1957	341	4.0	3,635	42.9	3,293	38.9	1,202	14.2	—	—
		1958	257	3.1	3,194	39.2	3,241	39.8	1,460	17.9	—	—
		1959	184	2.4	2,893	37.4	2,989	38.8	1,657	21.4	—	—
		1960	156	2.1	2,672	35.2	2,884	38.0	1,873	24.7	—	—
		1961	132	1.7	2,475	31.5	3,058	38.9	2,184	27.9	—	—
		1962	176	2.3	2,152	27.5	3,200	40.9	2,289	29.3	—	—
		1963	105	1.3	1,995	24.3	3,258	39.6	2,850	34.8	—	—

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC  
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS

1949-1963

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From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
EASTERN REGION	WESTERN REGION	1949	666	71.5	220	23.5	46	4.9	—	—	—	—	932
		1951	632	73.2	75	8.7	157	18.1	—	—	—	—	864
		1952	604	66.4	134	14.7	172	18.9	—	—	—	—	910
		1953	496	49.1	112	11.1	371	36.7	32	3.1	—	—	1,011
		1954	355	49.1	133	18.4	179	24.8	56	7.7	—	—	723
		1955	250	34.2	128	17.5	110	15.1	242	33.2	—	—	730
		1956	291	31.9	173	18.9	163	17.9	286	31.3	—	—	913
		1957	212	24.1	187	21.3	139	15.8	341	38.8	—	—	879
		1958	184	25.1	155	21.1	111	15.1	284	38.7	—	—	734
		1959	194	25.6	120	15.8	132	17.4	312	41.2	—	—	758
		1960	112	16.2	182	26.4	79	11.4	317	46.0	—	—	690
		1961	93	13.5	185	26.9	90	13.1	319	46.5	—	—	687
		1962	61	8.6	197	27.8	87	12.3	363	51.3	—	—	708
		1963	59	8.9	203	30.6	101	15.1	302	45.4	—	—	665

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.



EXHIBIT I  
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MOVING UNDER DIFFERENT RATE CLASSIFICATIONS  
1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
		1949	4	3.8	70	66.7	31	29.5	—	—	—	105
		1951	1	1.1	73	80.1	12	13.2	—	—	5	92
		1952	2	3.7	47	87.0	3	5.6	—	—	2	54
		1953	3	5.0	53	88.4	2	3.3	—	—	2	60
		1954	—	—	66	88.0	6	8.0	1	1.3	2	75
		1955	1	2.0	42	85.8	6	32.2	—	—	—	49
		1956	3	7.7	18	46.1	17	43.6	1	2.6	—	39
		1957	2	1.2	136	81.4	15	9.0	1	0.6	13	167
		1958	3	8.8	20	58.8	11	32.4	—	—	—	34
		1959	2	1.8	84	75.7	17	15.3	3	2.7	5	111
		1960	2	3.8	25	48.1	23	44.3	2	3.8	—	52
		1961	2	2.5	49	61.3	26	32.5	1	1.2	2	80
		1962	2	2.4	60	73.2	19	23.2	1	1.2	—	82
		1963	1	2.0	30	58.7	18	35.4	2	3.9	—	51

WESTERN REGION  
MARITIME REGIONSource: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic"; Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC  
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS  
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From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
WESTERN REGION	EASTERN REGION	1949	65	7.2	672	74.7	163	18.1	—	—	—	900
		1951	38	7.6	427	85.6	19	3.9	—	—	14	2.9
		1952	18	3.1	521	89.7	26	4.5	—	—	16	2.7
		1953	20	3.3	508	85.1	62	10.4	—	—	7	1.2
		1954	12	1.7	487	70.0	175	25.2	6	0.9	15	2.2
		1955	22	4.2	302	57.2	183	34.6	11	2.1	10	1.9
		1956	32	4.4	379	52.2	275	47.7	10	1.4	31	4.3
		1957	36	4.9	415	57.2	252	34.5	12	1.6	13	1.8
		1958	24	3.7	336	52.2	263	40.8	7	1.1	14	2.2
		1959	20	5.1	137	34.6	217	54.7	20	5.1	2	0.5
		1960	4	0.8	159	32.2	293	59.5	31	6.3	6	1.2
		1961	14	2.4	187	31.7	357	60.5	32	5.4	—	—
		1962	5	0.8	254	40.1	331	52.2	42	6.6	2	0.3
		1963	4	0.7	235	43.7	261	48.4	39	7.2	—	—

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC  
MOVING UNDER DIFFERENT RATE CLASSIFICATIONSEXHIBIT I  
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1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total
WESTERN REGION	WESTERN REGION	1949	644	6.5	8,623	87.3	379	3.8	239	2.4	—	—
		1951	378	5.5	3,779	55.5	409	6.0	191	2.8	2,062	30.2
		1952	474	4.6	4,712	46.5	540	5.3	411	4.1	3,999	39.5
		1953	362	3.8	3,482	36.6	683	7.2	599	6.3	4,391	46.1
		1954	241	3.1	3,512	45.2	756	9.7	703	9.1	2,555	32.9
		1955	386	5.7	2,874	42.7	837	12.4	643	9.5	1,994	29.7
		1956	419	4.6	3,620	39.4	1,121	12.2	893	9.7	3,129	34.1
		1957	381	5.1	2,784	36.9	918	12.2	893	11.8	2,572	34.0
		1958	414	6.0	2,350	34.1	791	11.5	938	13.6	2,400	34.8
		1959	280	4.3	2,424	37.6	955	14.8	803	12.5	1,982	30.8
		1960	151	2.3	1,971	30.0	1,155	17.6	948	14.4	2,342	35.7
		1961	136	1.9	2,276	31.2	1,057	14.5	1,037	14.2	2,783	38.2
		1962	91	1.4	1,659	25.9	1,051	16.4	1,143	17.8	2,466	38.5
		1963	106	1.4	1,615	21.2	1,287	16.8	1,642	21.6	2,973	39.0

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.  
Department of Transport, March 8, 1965.



EXHIBIT I  
PAGE 10

MARITIME REGION  
MARITIME REGION

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa, Department of Transport, March 8, 1965.









EXHIBIT I  
PAGE 14

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa, Department of Transport, March 8, 1965.





EXHIBIT I  
PAGE 16

1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates	
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total
		1949	2,742	5.2	33,753	64.4	15,912	30.4	—	—	—	52,407
		1951	118	0.2	36,873	78.0	8,207	17.3	—	—	2,093	47,291
		1952	1,265	4.2	25,167	80.0	3,726	11.9	—	—	1,229	31,387
		1953	2,164	5.5	35,291	89.7	1,325	3.3	—	—	593	39,373
		1954	—	—	40,356	88.3	2,274	5.0	1,935	4.2	1,124	45,689
		1955	1,683	5.4	22,935	72.9	6,608	21.0	—	—	218	31,444
		1956	2,324	4.9	27,883	58.3	14,989	31.4	1,378	2.9	1,176	47,750
		1957	1,887	2.8	46,398	70.2	14,742	22.3	2,082	3.2	957	66,066
		1958	1,424	2.6	40,139	72.5	11,613	21.0	163	0.3	1,987	55,326
		1959	2,699	4.3	36,271	58.7	16,029	25.8	5,114	8.2	1,884	61,997
		1960	1,603	3.6	16,146	35.9	24,114	53.5	2,730	6.1	414	45,007
		1961	1,384	2.4	32,475	55.8	21,379	36.7	1,944	3.3	1,053	58,235
		1962	5,795	7.8	47,814	64.2	19,343	26.0	1,177	1.5	415	74,544
		1963	706	1.2	32,621	57.5	20,787	36.6	2,700	4.7	—	56,814

WESTERN REGION

MARITIME REGION

Source: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.



EXHIBIT I  
PAGE 18

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.



## Explanation and Analysis of Data Contained in Exhibit I

Exhibit I shows the amount of all carload rail traffic moving between Canadian points under various rate classifications from 1949 to 1963. Pages 1 to 9 show traffic in carloads; pages 10 to 18 show the corresponding revenues earned by the railways. The information is grouped on a region to region basis with the country divided into three regions, Maritime, Eastern and Western. The Maritime Region consists of the Provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland, and that portion of the Province of Quebec east of Levis and Diamond, P.Q. The Eastern Region extends westward from Levis, Diamond and Boundary, P.Q., to Port Arthur and Armstrong, Ontario. The Western Region consists of all lines west of Port Arthur and Armstrong, (except Yukon).

The source of the data is the "Waybill Analysis, Car-load All Rail Traffic", a publication of the Board of Transport Commissioners. It should be carefully noted that the data is for a 1% sampling of movements. The sampling procedure is described in the publication referred to.

The railway rate classifications are broken down into five major groups: class rates, non-competitive commodity rates, competitive commodity rates, agreed charges and statutory grain rates. Generally speaking, rates which have been classified in the competitive commodity and agreed charge groups are those which one way or another have been set to meet competition; rates which are included in the class rates and non-competitive commodity rate groups have not been set to meet competition; statutory grain rates are Crow's Nest Pass Rates.

Rates set by statute or under the stress of competition tend to be lower than other rates. From a shipper point of view therefore a trend away from the non-competitive rates to the competitive or statutory rate groupings is to be welcomed. Comparisons have been made on both a carload basis and a revenue basis.

## Analysis of Maritime Rates

In looking at traffic moving wholly within the Maritime Region (page 1) it is noted that traffic moving at class rates has been and is a small portion of the total; since 1949 there has been a strong trend away from the non-competitive commodity rates to competitive commodity rates and agreed charges. As can be noted traffic moving under the latter has risen from 0.4% of the total to 22% in 1963. This would tend to indicate that the truck has proven an increasingly more effective competitor to the railways, even though it does not share in subsidies under the Maritime Freight Rates Act.

In Maritime to Eastern Region traffic (page 2), there has been a sharp decline in the percentage of traffic moving under the non-competitive rate groups and a corresponding increase in the volume of traffic moving under the agreed charge and competitive commodity rate groups.

The volume of traffic moving from the Maritime Region to the Western Region is small and under the 1% sampling procedure in the Waybill Analysis the results are sometimes misleading. Even taking this into account, some swinging away from the non-competitive to the competitive rates for this traffic can be noted on page 3.

### Analysis of Eastern Region Traffic

The Eastern to Maritime Region traffic (page 4) is characterized by a large drop-off in the percentage moving under class rates and a large increase in traffic moving under agreed charges.

The effect of pervasive truck competition in the Eastern Region can be noted in page 5 showing traffic moving under the various rate groups in the Eastern Region. As can be seen there has been an extremely large reduction in the volume of traffic moving under the class and non-competitive commodity rates and a corresponding sharp increase in the volume of traffic moving under competitive commodity and agreed charge rates.

Eastern to Western Region traffic (page 6) is characterized by a large reduction in class rated movements and a sharp increase in the volume of traffic moving under agreed charges. It can be noted that nearly one-half of all traffic moving to Western Canada from Central Canada (Eastern Region) now moves under agreed charges.

### Analysis of Western Region Traffic

The volume of traffic moving from Western Canada to the Maritime Region is low and as can be noted from page 7, little traffic moves under class rates or agreed charges.

For traffic moving between the Western and Eastern Region (page 8) it can be noted that there has been a large increase in the proportion of the traffic moving under competitive commodity rates with a corresponding decline in class rated and non-competitive commodity rate movements.

For traffic moving wholly within the Western Region (page 9) a trend away from non-competitive commodity rates to competitive commodity rates and agreed charges can be clearly noted.

### Comparison of Revenues

Pages 10 to 18 contrast the revenues earned from traffic moving under the various rate classifications. Although differences in the percentages from those found in the carload comparison can be found in any one year, the same general trends over time are to be noted.

Exhibit I

Page 21

### Summary

Trends apparent in this exhibit would seem to confirm the contention of the Royal Commission as to the growth in the extent and pervasiveness of trucking competition to the railways. Although it can be concluded that the Eastern Region benefits from competition to a greater degree than either the Western or Maritime Regions, the extent of the competition in these latter areas should not be underrated. The general trend is toward a more competitive rate structure.

Department of Transport

March 8, 1965.

## EXHIBIT II

## EXHIBIT PREPARED FOR THE STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

*Subject: Comparison of Present Railway Subsidies and Railway Subsidies Under Bill C-120 (Thousands of Dollars)*

PRESENT RAILWAY SUBSIDIES	RAILWAY SUBSIDIES UNDER BILL C-120				
	1st year	2nd year	3rd year	4th year	5th year
Interim Payments.....	\$ 50,000				
Freight Rates Reduction Act.....	20,000				
East-West Bridge Subsidy.....	7,000				
Maritime Freight Rates Act.....	14,844				
	<u>\$ 91,844</u>				
Passenger Service Subsidy <sup>1</sup> .....	\$ 62,000	\$ 49,600	\$ 37,200	\$ 24,800	\$ 12,400
Branch Line Subsidy <sup>2</sup> .....	13,000	13,000	13,000	13,000	13,000
Crow's Nest Grain Subsidy <sup>3</sup> .....	22,300	22,300	22,300	22,300	22,300
Atlantic and Eastern Ports Grain Subsidy <sup>4</sup> .....	1,200	1,200	1,200	1,200	1,200
Maritime Freight Rates Act <sup>5</sup> .....	14,844	14,890	14,950	15,000	15,100
	<u>\$ 113,344</u>	<u>\$ 100,990</u>	<u>\$ 88,650</u>	<u>\$ 76,300</u>	<u>\$ 64,000</u>

<sup>1</sup> Maximum amounts payable to the two major railways are shown. Claims by other railways are expected to be minor.

<sup>2</sup> Maximum amounts payable are shown.

<sup>3</sup> Assumes losses by railways equal to that found by Royal Commission for 1958.

<sup>4</sup> Estimate based on 1962 and 1963 data.

<sup>5</sup> Yearly increases are based on estimated traffic increases in Maritimes area.

Department of Transport,  
March 8, 1965.



EXHIBIT PREPARED FOR THE STANDING COMMITTEE  
ON RAILWAYS, CANALS AND TELEGRAPH LINES*Subject: Explanation and Justification of the Maximum Rate Formula*

The Royal Commission's proposal for a maximum rate was to apply the variable cost of the shipment of 30,000 pounds weight plus 150% of that variable cost. There are two factors in this formula which require comment, first the 30,000 pound key weight and second the 150% formula.

*30,000 Pound Key Weight.*

The Commission's comment on this matter was as follows:

The necessity of regulatory control arises because of the lack of alternative carriers. In the past when and where significant rail monopoly has been eroded, the truck has usually been the instrument effecting it. In almost every remaining case of significant monopoly, the alternate carrier would be the truck. Thus the key weight upon which is its reasonable to base a maximum rate is the weight of the unit load the competing carrier could use to give his optimum rate. We propose that the carload weight upon which rail variable costs shall be determined for purposes of maximum rate control be 30,000 pounds in standard railway equipment.

Two considerations support this qualified 30,000 pound key weight. First, if the commodity loads lighter than 30,000 pounds in standard railway equipment, it is probably an expensive commodity to handle on a weight, if not a cubic, basis. Secondly, if the commodity is heavy loading but is shipped in small quantities up to only 30,000 pounds, it is in effect an L.C.L. movement, which again has a very high cost per pound. In either case we found that there was little dissatisfaction with rates on the part of shippers who fall into these categories, and such dissatisfaction as there is stands to be alleviated by the forces of competition before long. (See Report, Vol II, p. 100).

*150% Formula*

On the 150% formula the Commission had this to say:

The cost structure of the railways, with their relatively high proportion of fixed to variable costs must be reflected in maximum rates. The equitable contribution allowed by maximum rates should not be less than 150% of long-run variable costs. This percentage above variable costs, applied to types of traffic captive to rails under the mechanism set out in the next section, would not be detrimental to railway revenues at the present time. We recommend therefore that a maximum rate be the variable costs appropriate to the movement as defined by the Board of Transport Commissioners, plus 150% of that variable cost. This we conclude is a reasonable share of the burden of fixed costs which traffic, designated captive under the criteria set out below, shall bear. (See Report, Vol. II, p. 102).

In view of the fact that variable costs per ton decrease with an increase in the carload weight of the shipment, the question might be asked why the Commission did not simply propose that the formula be applied to the actual carload weight in each case. The Commission very carefully adhered to the 30,000 key weight and the present Bill likewise provides for no departure from this basis of calculating variable costs for maximum rate

purposes. The basic reason for this approach lies in a fundamental characteristic of railway rates which requires more detailed explanation.

Exhibit III

Page 2

It is a well known fact that the railway rate structure consists of a vast number of rates covering different commodities having different characteristics thus different levels of rates may apply to different commodities for identical movements. These rate differences are not solely accounted for by cost but by a combination of cost and other considerations equally valid in the determination of rates. Among such characteristics are the value of the commodity, its weight-volume relationship, susceptibility to damage, requirements of special equipment or handling methods, etc. For convenience the sum of such characteristics is referred to as "value of service" factors in what follows.

The Royal Commission rightly pointed out that the so-called value of service principle used by the railways has been heavily eroded by the effects of competition. The more severe the competition, the more closely the rates must be set to actual costs of movement to the extent that these can be ascertained. The carrier must know to what level it can safely cut rates to gain traffic but yet obtain some net return. The Royal Commission concentrated its attention on the impact of competition on the traditional rate structure and was content to characterize the value of service element in rates as a survival of the former monopoly position of the railways.

However, there is a continuing factor influencing railway rates, namely the common carrier status of the railways, which assures a continuing importance to value of service principles. Common carriers are those carriers who undertake to provide service to the public at all times and under all conditions of shipment subject only to the carriers' own physical limitations. This type of service is particularly important to the small shipper. To be able to provide such a service on demand requires an organization capable of handling peak periods of demand and all the contingencies under which traffic may be offered to it. There is consequently for any common carrier a large element of "stand-by" or fixed costs necessarily incurred if it is to maintain the equality of service required of it by law.

To meet these costs common carriers have found it necessary to charge as much as possible on a value of service basis. It is the more valuable commodities moving in smaller quantities over a variety of routes that may be held responsible for much of these so-called stand-by costs. Being of higher value they are naturally not as sensitive to changes in freight rates and have at all times borne higher rates on identical movements than the cheaper bulk commodities. This form of rate structure for a common carrier applies not only to railways but also to any other mode of transportation operated on these principles, i.e., highway and water carriers. It is also used in the current tolls charged by the St. Lawrence Seaway.

Exhibit III

Page 3

If therefore a maximum rate based solely on a cost-plus formula, disregarding the characteristics of the individual commodity, were to be imposed on the railways it would undoubtedly result in much needless dissipation of revenues not recoverable from any other source. It would lead to a reduction in the returns to competing highway common carriers and would constitute a threat to the healthy condition of the entire common carrier service. It would result in business failure for some highway carriers and in curtailment in frequency and quality of service from the remaining group. This would create

a very serious situation, particularly for the small shipper. Large shippers might meet the situation by providing much of their own transportation or by using contract carriers. In either case the traffic would be lost to the common carriers.

It should be noted that the Royal Commission did not at any point state that the 150% formula should be regarded as a ceiling for freight rates. It merely noted that the "equitable contribution allowed by maximum rates *should not be less than 150% of long-run variable costs*". In expressing itself in this way the Commission was undoubtedly aware of the fact that there are many cases where the going rate exceeds 150% of the variable cost of the movement. The Commission's intent was that 150% of variable cost could operate as a maximum rate without serious effect upon carrier revenues only when based on its key weight of 30,000 pounds. To base it on actual weights, given the nature of the common carrier cost structure, would be to impose a more rigid framework of rate regulation on the industry than has existed for many years. Such a step would be in basic contradiction to the spirit of the Commission's recommendations.

Another undesirable effect of applying such a formula indiscriminately to all carload weights might be noted. If the Commission's formula were applied to actual weights it would tend to operate as a factor discouraging the economically desirable trend toward heavier loading of railway equipment. A simple illustration will make this clear. If the variable cost at 30,000 pounds is \$1 per cwt., the formula will produce a contribution to fixed costs of \$1.50 per cwt. On a heavier carload the variable cost might drop to 80¢ per cwt. Application of the same formula would set a limit of \$1.20 as the contribution to fixed costs. It will be seen that as the formula is applied to sufficiently larger carload weights the allowable contribution to overhead decreases. The railways then might conclude that their overall position would be better if they discouraged heavier loading of cars.

#### Exhibit III

#### Page 4

It must be recognized under the Commission's system of maximum rates that in regard to the heavier carload traffic, which normally will be given lower rates, the maximum rate ceiling will tend to become less effective. The Commission was aware of this fact but pointed out that even though the maximum rate might be set at 30,000 pounds both the railway and the shipper had a common interest in loading cars more heavily and the shipper would be in a position to obtain from the railway through a lower rate some of the savings accruing from the use of heavier carloads. Bill C-120 offers encouragement along these lines in providing for a step-down formula for calculating the maximum rate on heavier shipments (Clause 19, Section 335(5) (ii), page 24).

The shipper of bulk commodities has also several other factors adding to his bargaining strength even where there may be no practicable alternative carrier for his traffic:

(i) the heavier loading commodities are frequently of low value and very sensitive to changes in freight rates. Consequently there is much less scope for the railways to raise rates here without losing traffic.

(ii) in many cases such commodities originate in large volume from very large projects, e.g., mines, quarries, etc., or may have been brought into production on the basis of prior negotiation on rates with the railway. Bargaining strength of the shipper therefore may be considerable even though technically the traffic in terms of alternative routes might be classed as captive.

(iii) for a large number of commodities often shipped by small shippers, rates have been made on an area or group basis, e.g., commodity mileage rates.



Under this system every shipper pays on the basis of a uniform scale. Such rates apply to pulpwood, lumber and a wide variety of mining and agricultural products. This type of rate has been established largely on the railways' own initiative since it offers an acceptable solution both from the point of view of the railways and the shippers for satisfying what would otherwise be a great many conflicting claims. The carriers have every interest in adhering to rates of this type after the new legislation is passed. Such a common pattern of rates will extend over a wide area covering many different conditions of shipment.

Department of Transport,  
March 8, 1965.

Exhibit IV  
Page 1

# EXHIBIT PREPARED FOR THE STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

*Subject: How National Policy is Affected by Bill C-120*

In its Report, the Royal Commission on Transportation makes a fundamental distinction between what it called "National Policy" and "National Transportation Policy":

We regard our area of responsibility to be confined, first, to recommending guides to action in developing a National Transportation Policy, which is concerned with the effectiveness of transport itself, and second, to pertinent observations respecting the effects upon it of National Policies making use of transportation to achieve their particular objectives . . . Our position is that a clear distinction has to be drawn between the objectives of a National Policy which uses transportation to achieve certain ends and the objectives of a National Transportation Policy which we deem to be efficiency and economy in the transportation system (see Report, Vol. II, pp. 2, 3).

Four National Policies which use transportation as a means to an end are statutory rates on export grain (Crows Nest Pass Rates), the preference granted in freight rates to shippers in the Atlantic Provinces and Eastern Quebec (Maritime Freight Rates Act), the "Bridge" subsidy and Feed Grain Assistance. None of these Policies is designed to assist the railways, although payments are made to the railways by the Government as a result of the M.F.R.A. and the "Bridge" subsidy.

The Crow's Nest Pass Rates were established in order to make and keep Canadian grain competitive in world markets. The Maritime Freight Rates Act was enacted to make available to the Maritime producers the markets of Central and Western Canada. The Bridge Subsidy was provided to reduce the impact on Western Provinces of the high transportation costs incurred in hauling goods across Northern Ontario, the "bridge" territory between Eastern and Western Canada. Feed Grain Assistance, begun as a wartime measure, is designed to keep the costs of feed grains to eastern and B.C. livestock and poultry producers lower than they would otherwise be by paying part of the transportation costs.

Exhibit IV  
Page 2

The Crow's Nest Pass Rates are not changed by Bill C-120; rather, existing rates on western grain and flour moving to Vancouver and Prince Rupert for

## RAILWAYS, CANALS AND TELEGRAPH LINES

export are made statutory. The Maritime Freight Rates Act is specifically exempted from the changes incorporated in Bill C-120, and the Feed Grain Assistance Regulations are not affected. The Bridge Subsidy is however eliminated by Bill C-120.

It was a general recommendation of the Royal Commission that where a burden was placed on any transportation mode by reason of a National Policy, that burden should be borne by the taxpayers of Canada. It therefore recommended that the railways be compensated for any excess of costs over revenues arising from carriage of western grain and this recommendation is incorporated in Bill C-120. The railways have always been compensated for rate reductions granted under the M.F.R.A. and no change is made in this arrangement by Bill C-120. Feed Grain Assistance does not directly affect the railways since it is paid to the wholesale dealers who incur transportation expense by reason of certain dealings in feed grain. (The dealers must pass on the subsidy to the livestock and poultry producers).

The only effect of Bill C-120 which is directly related to a National Policy as distinguished from a National Transportation Policy, arises from cancellation of the bridge subsidy. In return for the subsidy of not more than \$7,000,000 per year, for maintenance of transcontinental lines in Northern Ontario, the railways are required to reduce rates on non-competitive traffic moving over the "bridge". The Royal Commission found, however, that the growing competition between modes was a much more effective regulator of rail rates than the "Bridge" Subsidy, and that payment of the subsidy had produced inevitable distortion in resource allocation among modes of transport, had adversely affected competitive carriers such as navigation and trucking companies, and had reduced competition between Canadian and U.S. railways which had previously been a moderating influence on Canadian freight rates. The Commission concluded that elimination of the "Bridge" Subsidy and the concomitantly reduced rates would result in a more equitable and in the end a more favourable general rate structure. Bill C-120 accordingly gives effect to this conclusion.

Department of Transport,  
March 8, 1965.

Exhibit V  
Page 1

### EXHIBIT PREPARED FOR STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

#### *Subject: Maritime Rate Preference Under Bill C-120*

The Maritime Freight Rates Act, Chap. 174 R.S. 1952, became effective July 1, 1927, following the report of the Duncan Commission on Maritime Claims. That Commission found that the preferential position of the Maritimes in respect of rates on goods moving within the Maritimes and westbound from the Maritimes, which shippers in that area had enjoyed for many many years, had been reduced by successive rate increases and should be restored.

The Act defined the Maritime Area concerned (which includes a part of Eastern Quebec) as the "select territory" and the traffic affected as "preferred movements". It directed Canadian National to cancel existing tariffs on preferred movements and substitute others, reducing the rates by approximately 20%, subject to increases or decreases as might be required in the future to meet increases or reductions in costs of operation.

In 1949 Newfoundland was included in the "select territory".

Since 1957 the rate reduction has been 30% on the select territory portion of outbound hauls. The Act has not been changed but the increased subsidy

## STANDING COMMITTEE

authorized by annual vote of Parliament. No change has been made in the 30% reduction applicable on "intra-select territory" traffic. Changes in the form and extent of railway rate regulation as now proposed will leave unchanged the preferential treatment accorded to Maritime freight rates. The Maritime Freight Rates Act, which is to remain as is, sets out the Maritimes' statutory advantage in Section 7 as follows:

7. The purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three Provinces of New Brunswick, Nova Scotia and Prince Edward Island, and in addition upon the lines in the Province of Quebec mentioned in Section 2, together hereinafter called "select territory", accordingly the Board shall not approve nor allow any tariffs that may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

The railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate. They will, however, still be subject to the foregoing Section of the Act, and will have to consider whether any rate action taken elsewhere will "destroy or prejudice" the advantages given shippers in the select territory "in favour of persons or industries located elsewhere". This will be a question of fact and while it does not mean that every Maritime rate must be kept 30% below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in Section 7. In any case, it will be open to shippers in the select territory to complain to the Board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that Maritime shippers continue to enjoy rate preferences.

Exhibit V

Page 2

Moreover, by the elimination of the financial burdens to the railways from uneconomic passenger services, thin-density branch lines and obligations to handle export grain traffic at a loss, and by the granting of greater rate-making freedom and thus greater ability to compete for traffic, it will be unnecessary for the railways to offset these burdens by means of horizontal rate increases, increases which in the past have fallen most heavily on the traffic of the Atlantic and Western Provinces. Their elimination will thus improve the relative position of these Provinces.

Of even greater significance is the trend towards accelerated economic growth within the Maritime Region resulting from the aggressive and increasing number of development measures of the Atlantic Provinces. This rapid growth will be assisted more by the new legislation with its greater freedom than by the present Railway Act with its greater reliance on regulations. Under the new rate system not only will the railways have the increased ability to meet changing competitive conditions, but will have in addition a greater flexibility to adjust rates to assist special "development" situations and thus contribute to the increased economic growth of the area.

The freight rate prognosis for the Maritimes is encouraging. The existing preferences are to be maintained by Bill C-120 and factors such as increased economic growth within the region, increased trucking competition and elimination of the necessity for the railways to transfer the losses on some uneconomic services to users of freight services point to an improvement in the relative position of the Maritime Provinces.

Department of Transport,  
March 10, 1965.



## APPENDIX "F"

## THE PRINCIPLES OF NATIONAL TRANSPORTATION

A Submission to the House of Commons Standing Committee on Railways, Canals and Telegraph Lines, on the Subject Matter of Bill C-120.

by

The National Farmers Union of Canada

March 23, 1965

## INTRODUCTION

We welcome the opportunity of appearing before your committee and presenting our views on the question of national transportation in Canada. The National Farmers Union is a federation of the following provincial organizations: the Ontario Farmers' Union, the Manitoba Farmers' Union, the Saskatchewan Farmers Union, the Farmers' Union of Alberta and the Farmers' Union of British Columbia. We represent some 60,000 Canadian farm families.

We wish to commend the Government of Canada and the Minister of Transport for referring the subject matter of Bill C-120 to this Committee before second reading. A request to this effect was made to the Minister of Transport by the Saskatchewan Farmers Union on October 5, 1964.<sup>1</sup> We are pleased to note that the Minister has given the request favorable consideration.

*Terms of Reference*

Two statements made in the House of Commons by the Government define the terms of reference of the Committee's inquiry. On Tuesday, February 16th, 1965, the Minister of Transport said in part:

... I was hoping ... to see if it would be possible by agreement to have, not the bill itself, but the subject matter of the bill ... referred, almost immediately, to the railway committee so we could use the time of the rest of this session to hear some of the representations that many people are anxious to make about this bill ...<sup>2</sup>

The Minister made it clear that the referral of the *subject matter* of Bill C-120 did not involve a commitment to the principle of the bill. He said in part:

It would involve no one committing himself to the principle of the bill at all, but would merely make the bill available for study ...<sup>3</sup>

On Thursday, February 18, the Minister moved second reading of Bill C-120, the motion being amended to read that the Bill be not read the second time, but that the subject matter thereof be referred to this Committee.

The question follows: What is meant by the "subject matter" of the Bill? Section 1 of Bill C-120 presently reads in part:

It is hereby declared that the national transportation policy of Canada is the attainment of an efficient and fully adequate transportation system by permitting railways and other modes of transport to compete ...<sup>4</sup>

<sup>1</sup> A copy of the letter can be found in Appendix A to this brief.

<sup>2</sup> Hansard Feb. 16, 1965, (Ottawa: Queen's Printer, 1965), p. 11380.

<sup>3</sup> Ibid.

<sup>4</sup> Bill C-120, Sept. 14, 1964.

Without commenting on the principle enunciated in section 1, we note that the words "fully adequate transportation system" and "railways and other modes of transport" are used in reference to policy. Although subsequent sections of the Bill deal almost exclusively with the question of railroad transportation, it is clear that the authors of the Bill are concerned with the relation of rail to other modes of interprovincial transportation. We take the "subject matter" of the bill to mean, then, the entire question of interprovincial transportation, with special consideration given to railroads.

In view of the terms of reference, as we interpret them, we have chosen to confine our remarks and observations to a discussion of the principles of national transportation policy, with attention given to railroads.

### Principles of National Transportation Policy

The principles of national transportation policy must be considered in the light of the historical role and function of transportation in Canadian political and economic development. In this section of the brief, we propose to discuss the historical role of transportation in Canada, the function of transportation, and what we consider to be the objective of national policy in regard to interprovincial transportation.

#### Historical Role of Transportation in Canada

Since the turn of the 19th century, transportation in Canada has been instrumental in developing a national industrial and politically independent nation.<sup>1</sup> The development of the St. Lawrence-Great Lakes system through canals, the construction of the Intercolonial Railway to the Maritimes (1876), and the Canadian Pacific to the west coast (1885) were conditional to the emergence of a national industrial complex politically independent of the United States. Innis observes:

The act of union, and the construction and deepening of canals, the support of the Grand Trunk Railway, Confederation, the construction of the Intercolonial, the National Policy, and the support of the Canadian Pacific, the Grand Trunk Pacific, the National Transcontinental, and the Canadian Northern were results of the necessity of checking competition from United States, and of overcoming the seasonal handicaps of the St. Lawrence and the handicaps incidental to the precambrian formation and the Rocky Mountains period. To build canals and improve the St. Lawrence system, and to build railways to the Maritimes and across the precambrian formation north of Lake Superior to British Columbia, from Montreal, Quebec, and Toronto, necessitated reorganization of the political structure, grants in land and cash, and the tariff, particularly the National Policy and imperial preferences.<sup>2</sup>

Put another way, the development of an interprovincial transportation network has never been exclusively regarded as an end in itself. The system of canals built during the early part of the 19th century was designed to improve trade and commerce in staples such as furs, timber, and cereal grains.<sup>3</sup> The canal system per se was subservient to other economic objectives.

The construction of the Intercolonial and the western transcontinentals was in response to achieving the goal of economic and political unity north of

<sup>1</sup> See V. Fowke, *National Policy and the Wheat Economy*, (Toronto: University of Toronto Press, 1957.)

<sup>2</sup> H. A. Innis, *Essays in Canadian Economic History*, (Toronto: University of Toronto Press, 1962), p. 229.

<sup>3</sup> See G. P. deT. Glazebrook, *A History of Transportation in Canada*, (Toronto: McClelland and Stewart Ltd., 1964), Vol. 1.

the 49th parallel. Indeed, the route followed by the Intercolonial satisfied military and commercial rather than economic considerations.<sup>1</sup> The same was true of the routes followed by the western transcontinentals. Fowke observes:

It would be incorrect to assume...that the prairie provinces would be without adequate railway facilities had the Canadian transcontinentals and their feeder systems not been built. One of the chief concerns of the early railway policy of the Dominion Government was the exclusion of American railways from Canadian territory to the west of the Great Lakes...The national policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are expensive alternatives to American railways rather than no railways at all.<sup>2</sup>

And Innis writes:

The growth of remunerative traffic to western Canada after the turn of the century led the Grand Trunk to assume an aggressive policy with plans to extend its line from Chicago to Winnipeg. Again the tariff and the refusal of the Canadian government to support a line through American territory compelled it to agree to co-operate in the construction of the National Transcontinental Railway from Quebec to Winnipeg in the west and to Moncton in the east, and to build, under a subsidiary, the Grand Trunk Pacific, a line from Winnipeg to Prince Rupert. The result was a transcontinental line from Moncton to Prince Rupert with no close connections with the parent system and ill adapted as a direct entry into Western Canada.<sup>3</sup>

The burden of financing the construction of an interprovincial transportation network during the 19th and early part of the 20th centuries fell largely on the shoulders of the Canadian taxpayer. The cost of building the Intercolonial Railway was borne by the federal government.<sup>4</sup> The construction of the CPR was made possible in large measure through public subsidies, land grants, and guaranteed loans.<sup>5</sup> The Canadian Northern received public subsidies and land grants, the Grand Trunk Pacific received public guaranteed bonds and loans, and the National Transcontinental Railway, built by the federal government, was turned over to the Grand Trunk Pacific.<sup>6</sup> Later, the Canadian Northern, the Grand Trunk, the Grand Trunk Pacific, the National Transcontinental, and the Intercolonial were brought under the single management of the Canadian National Railways, a publicly owned utility.

If railroads, along with canals, were instruments of national policy, it must also be said that the Canadian public assumed its full responsibilities in the creation, financing, and later, the operation of such instruments.

The historical role of transportation in Canada can now be restated. Interprovincial transportation has been an indispensable instrument of national policy. In most cases, the taxpayer has borne the expense of providing and operating the service, regardless of the mode; in some cases, the public has subsidized private corporations for the construction and operation of a mode.

<sup>1</sup> *Ibid.*, Vol. II, Chap. VI.

<sup>2</sup> Fowke, *op. cit.*, pp. 68-69.

<sup>3</sup> Innis, *op. cit.*, p. 226.

<sup>4</sup> Glazebrook, *op. cit.*

<sup>5</sup> See "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", A *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960; Chap. V and Appendices A & B; Glazebrook, *op. cit.*, Chaps. VII-IX.

<sup>6</sup> Glazebrook, *op. cit.*, Chap. X; C. Martin, "Dominion Lands Policy", *Canadian Frontiers of Settlement*, ed. W. A. MacIntosh & W. Joerg, (Toronto: The Macmillan Co., 1938), Chaps. IV and V.



In all cases, the public—that is, the federal government—has assumed responsibility for the regulation and control of interprovincial transportation, if only on a modal basis.

### The Function of National Transportation

Industry—be it agricultural or otherwise—continues to rest on the movement of goods and services. Transportation then continues to be *instrumental* to industrial development and growth.

During the past one hundred years, Canada has developed a variety of modes of transportation. They include:

- (a) Ships
- (b) Railroads
- (c) Motor Vehicles
- (d) Airplanes
- (e) Pipelines

Each and every mode listed above requires government involvement and expenditure for its successful operation. Inland and overseas shipping requires canals, harbors, navigational aids, channels which are properly dredged, weather reports, and so on. All of these indispensable services are provided through government expenditure and planning.

Canadian railroads not only required public monies for their construction and operation, but through the Canadian National Railways, the government has become directly involved in the provision of rail transportation service.

Motor vehicle transportation requires roads, weigh stations, road maintenance and patrol, etc.; all of which are provided through federal and provincial expenditure.

The first national airline service in Canada was provided through a government-owned air service; and the maintenance and provision of airline terminals, weather maps, and the regulation of such service, falls within the jurisdiction of the federal government.

To summarize, the provision of interprovincial transportation services, regardless of the mode, is instrumental and functional to the well-being of the Canadian economy. The services, in turn, depend, in part—and in some cases in whole—on public regulation, expenditures and control.

### The Objectives of National Policy

We have attempted to show that the provision of national transportation has been a critical and indispensable instrument in shaping our national historical development. Indeed, the use of transportation as an instrument of national policy has been both conscious and deliberate.

Moreover, we submit that the ultimate role of interprovincial transportation in our national development has not changed. The provision of national transportation services remains a *means* to achieving both economic and political goals.

Recognizing the historical and functional role of transportation in Canadian economic and political development, we submit that interprovincial transportation be regarded as a service industry, necessary to the well-being of the economic and political future of our nation. As such, the provision of interprovincial transportation services should be regarded as a means to an end, and not an end in itself.

At this point, we wish to draw your attention to the report of the Macpherson Royal Commission on Transportation. In Volume II of their report, the Commissioners observe:

Almost every transaction which occurs in the life of the nation involves transportation as one element of cost. Thus the material well being of the nation is improved when goods are manufactured and services are rendered under conditions where the real cost of transportation is kept to the minimum necessary to provide fully adequate services.<sup>1</sup>

The Commissioners, however, do not define the objectives of national transportation policy in terms of the provision of "fully adequate services". Rather, they define national transportation policy in terms of the *means* of providing fully adequate services; in their own words, they are concerned with the "... effectiveness of transport itself. . . ." Two related concepts are central to their arguments and recommendations: economy and efficiency. National transportation policy, for the Commission, should be the attainment of an efficient and economic transportation system.

We submit that the Commission has elevated the means to providing a fully adequate transportation system to an end in itself. Not the provision, but the providers of interprovincial transportation become the objective of national policy. The criteria for service is not need, but whether or not the service is economic—and therefore rewarding, and efficient—and therefore competitive.

Put another way, the Commissioners write:

It should be quite apparent that as long as the transportation system is required to perform services which *do not reflect commercial incentives*, financial assistance from the government will be a necessary concomitant of transportation policy.<sup>2</sup>

That is, the providers of transportation should only be required to provide those services in which they can realize a profit. If the national interest demands the provision of services which do not reflect commercial incentives, then the cost of providing such service should fall on the shoulders of the Canadian taxpayer. We note that the financial burden to the taxpayer in these instances is not to be tempered by applying profits on economic services to losses on uneconomic services. Rather, public monies are to be used, when necessary, to guarantee profitable returns to the providers of transportation service.

We reject this point of view. National policy should be concerned first and foremost with the objective of national transportation, and it bears repeating that the objective of interprovincial transportation has been, and remains an instrument in developing and maintaining a viable economic and political nation. The means of providing transportation services have been and should continue to be tailored to this objective. They have not and should not become an end in themselves.

### The Implementation of National Policy

Having defined national transportation as a service industry, instrumental to the development and maintenance of a viable economic and political nation, we turn to a discussion of what we consider to be the appropriate means whereby national policy may be implemented.

We wish to deal with three questions: (1) *How* shall service be provided; (2) *Where* shall service be provided; and (3) *How* the cost of providing service may be met. In other words, we are concerned with the manner in which service shall be provided, the determination of need for service, and the financing of service.

<sup>1</sup> Report of the Royal Commission on Transportation, Dec. 1961, Vol. II, Chap. 1, pg. 9.

<sup>2</sup> Ibid., Chap. VII, p. 195.

### The Provision of Service

The transportation industry in Canada has not remained immune to the technological revolution of the fifties and sixties. Innovations have taken place within long-established modes of transportation. For example, since 1945 the CNR and CPR have introduced sweeping technological innovations to the railway industry. The conversion to diesel locomotive power, modernization and improved capacity of rolling stock, the introduction of centralized traffic control (CTC), automatic hump yards, the master agency plan; the extension of section limits and the mechanization of techniques for maintaining track; the abandonment of branch lines, the introduction of terminal run-throughs, the centralization of car repair shops, and the mechanization of office procedures, are some of the innovations which have changed the face of railroading in Canada.<sup>1</sup>

Innovations have widened the scope and capacity of other modes of transportation. For example, improved roads, the construction of inter-provincial highways, the roads to resources programme, along with the improved design and construction of powerful motor units, have enabled trucks to move into the field of long distance hauling, a field previously monopolized by railways.<sup>2</sup> Improved design, along with the introduction of the jet engine, have increased the capacity and scope of airplanes.

Innovations have also introduced new modes of transportation. Pipelines are a case in point. To date, they have been used to transport fluids over long distances. However, our investigations lead us to believe that pipelines may be developed which are able to transport solids such as grain.<sup>3</sup>

The problem in providing adequate interprovincial transportation services then does not lie in the absence of a number of suitable modes. To the contrary, our experience during the past twenty years leads us to believe that the future promises a wider variety of transportation services. The problem lies rather in harmonizing, co-ordinating, planning and regulating the various modes on a national basis and in the national interest. To date, no federal agency or authority has been developed or promised to fill this need.

In 1938 Parliament passed the Transport Act which established the Board of Transport Commissioners for Canada. The original intention of the Act was to provide for a government board with the object of co-ordinating and harmonizing the operations of all carriers engaged in ship, rail and air transportation.

In 1944, Parliament changed its policy in regard to national transportation. The Transport Act was amended, giving the Board of Transport Commissioners jurisdiction over the construction, maintenance, operation, and rates of railways, rates of telephone, telegraphy, and express companies, the tolls on international bridges and tunnels, the licensing and rates of ships on the Great Lakes, and any other matter defined in the Act or special Act related to transportation.

Air transportation was brought under the control of the Air Transport Board (1944) which was given the power to regulate air transportation without reference to the Board of Transport Commissioners.<sup>4</sup>

<sup>1</sup> For a resume of changes in the railroad industry see the submission by Frank Hall to the Standing Committee on Railways, Canals, and Telegraph Lines, *Minutes of Proceedings and Evidence* No. 1, House of Commons, Oct. 8, 1963.

<sup>2</sup> See D. W. Carr, "Truck-Rail Competition in Canada", *Report of the Royal Commission on Transportation*, 1962, Vol. III.

<sup>3</sup> See *Abstracts of Fluid Dynamics Research Papers* (Edmonton: Research Council of Alberta 1963); G. W. Hodgson & L. Bolt, "The Pipeline Flow of Capsules", Annual Meeting Paper 15, Engineering Institute of Canada, 1962.

<sup>4</sup> Air transportation is further regulated by the Aeronautic Act (1927) which governs the registration of aircraft, the safety and control of navigation, and the licensing of air crews. The Act was amended in 1944 to include the Air Transport Board.



In 1947 Parliament passed legislation creating the Canadian Maritime Commission. The Commission does not have the regulatory authority of the Board of Transport Commissioners. However, it keeps records of shipping services, and administers the subventions for coastal steamships which Parliament passes each year.

In 1961, the MacPherson Royal Commission on Transportation recommended the establishment of a Transportation Advisory Council to continually study transportation investment and make policy recommendations to the Minister of Transport.

In 1964, the federal government introduced Bill C-120 to the House of Commons. The provisions of the Bill further fragmentized federal policy in regard to national transportation. Section 72A of the Bill called for the establishment of a Branch Line Rationalization Authority, to be responsible to the Minister of Agriculture. (Sec. 72F).<sup>1</sup>

The obvious and glaring failure of the federal government, and, in the last analysis, Parliament, to provide for a federal authority to plan transportation services on a national basis and in the national interest is disconcerting. To say there is a need for such an authority is to belabour the obvious.

We therefore recommend that this Committee consider the establishment of a federal transportation authority, to harmonize, co-ordinate, plan and regulate transportation on a national basis, regardless of the mode.

Such an authority should have similar powers to those presently held by the Board of Transport Commissioners.<sup>2</sup> Specifically, the authority should have the power to fix and regulate freight and passenger rates, direct investment, determine need for service, ensure the adequate provision of service, and in a general way, harmonize service, regardless of mode. The authority should be responsible to the Minister of Transport.

#### Determining Need for Service

The demand for transportation services can be both regional and apparent, and local and debatable. The MacPherson Royal Commission has recommended that the market mechanism be given freer reign in regulating the relationship between the demand for transportation services, and the provision of same.

The Commissioners concede, however, that the market place does not always guarantee service to areas or regions in need of service. The need for service is equated, in effect, with the probability of realizing a profit in the provision of service. "Unremunerative" service, by definition, is "unneeded" service. Nothing could be further from the truth.

We submit that there is an intelligent and therefore commendable alternative to the market place; an alternative which satisfies the objective of national transportation policy as defined in the previous section of this brief.

A transportation rationalization agency should be established, the purpose of which should be to assess and determine the need for transportation services, regardless of mode. The agency should be responsible to and under the jurisdiction of the federal transportation authority described above.

The agency should be provided with a research staff, made up of transportation economists, economists and sociologists. The research staff could assist in determining the social and economic needs for transportation services.

Applications by shippers and/or communities for transportation services, and applications by the providers of transportation services for leave to provide or abandon service should be submitted to the federal transportation authority. The authority, in turn, would forward the application to the rationalization agency for processing.

<sup>1</sup> For a critique of Bill C-120, See Appendix B.

<sup>2</sup> See Chapter 234 of the Statutes of Canada, An Act Respecting Railways.

The processing of the application would take two forms: (1) The agency would undertake regional studies, such preliminary studies to be continually updated and used to provide a basis for judging need. In addition, the agency could direct their research staff to conduct any additional studies which a given application might warrant; (2) The agency would hold public hearings at which the parties involved would have the opportunity of arguing and defending their case. On the basis of public hearings and the studies mentioned, the agency would assess the need for transportation services and forward their recommendation to the federal authority.

It would be expected that in most cases, the authority would accept the recommendation of the subordinate agency. However, in ruling, the authority would be in a position to assess the judgment or recommendation in terms of a wider context—that of national transportation as a whole.

Provision should also be made for appealing the recommendation of the rationalization agency; the appeal being made to the federal transportation authority.

In determining the need for service, we suggest there are at least three critical considerations:

- (1) The economic requirements of the provider of service;
- (2) The economic needs of the shipper and/or community;
- (3) The related social considerations of the community.

### Financing Service

Transportation service must be paid for. We suggest the following procedures:

The providers of transportation service should establish what they consider to be fair and reasonable freight rates.

These rates, in turn, should be approved by the federal transportation authority, much in the same manner as the Board of Transport Commissioners presently approves rail freight rates. We repeat that the authority shall at all times have the power to fix, alter and approve freight rates.

Annual deficits incurred in the provision of transportation services should be met by federal subsidies. The candidate for a subsidy should be required to show that they have operated their service both efficiently and economically, insofar as is possible.

The costs of federal subsidies paid to railway companies which incur annual deficits in their operations in order to meet the objective of national transportation policy, must be charged to the nation as a whole rather than charged to any particular segment of the economy.

### The Application to Canadian Railways

In the first two sections of this brief, we have attempted to define the objective of national transportation policy, and explore means of implementing that policy. In this last section, we would like to relate, in part, the principle and mechanisms discussed above to the operation of Canadian railways.

### Transportation as a Unit

If the provision of transportation services is to be regarded and treated as a unit, then railways can no longer be considered in isolation to other modes of transport. Existing legislation should be, where necessary, updated and revised, providing for an authority having jurisdiction over all modes of transportation, including railways.

A number of questions might serve to illustrate the point. Should railways be required to provide service to a given community when trucks and/or

pipelines can provide the same range of services more efficiently and economically? Obviously a judgment is involved. Are the claims of pipeline and trucking companies reasonable and legitimate? Is railroad service in this instance still necessary, beyond the question of economy and efficiency? Questions and judgments of this kind should be settled by a neutral and impartial authority, an authority with national responsibility and power, and an authority which is capable of assessing and acting in the national interest. Above all, questions and judgments of this kind—related to the provision of railway service—cannot be considered *without reference to other modes of transportation*.

### Determining the Need for Rail Service

At present, the Board of Transport Commissioners regulates and controls the construction and/or the abandonment of rail service and branch lines. In general, this principle is sound, and we reject without reservation the proposals presently contained in Bill C-120 which relate to the abandonment of branch lines.<sup>1</sup>

However, we feel the present policy in regard to the regulation and control of the construction and/or abandonment of rail service and branch lines can be strengthened in two ways:

First, the Board of Transport Commissioners should be replaced by the federal authority discussed above, thereby bringing the entire question of railroad service into a wider and more meaningful context.

Second, the federal authority should be assisted in its duties by the creation of a transportation rationalization agency, also discussed above in the previous section. The agency would serve to process applications for leave to provide or abandon rail service and/or branch lines. In this way, the judicial function of the authority would be complemented by the investigation function of the agency.

### Freight Rates

We suggest the regulatory powers presently held by the Board of Transport Commissioners be turned over to the proposed federal transportation authority. We reject those proposals in Bill C-120 which weaken the powers currently held by the Board of Transport Commissioners—that is, Section 15 of the Bill.<sup>2</sup> We submit that the fixing of freight rates is too important a matter to be left to the discretion of railway companies.

We once again reiterate our support for Crow's Nest rates on flour and grain.

### Economies and Efficiencies in Railroading

We submit that there will be times when the national interest demands and requires the provision of so-called uneconomic railroad service. In such cases, we have recommended that federal subsidies be made available to cover any loss involved.

We wish to make it clear, however, that subsidies should be paid to railway companies on the basis of a deficit in their overall railway operation. Railway companies should be required to cover losses on so-called uneconomic services, with profits made on so-called economic service. Only if there is an overall deficit should a federal subsidy be considered.

Moreover, it is imperative that the federal transportation authority ensure, insofar as it is able, that the operation of railway services be efficient and economic. By this we mean, railway companies should be required to operate as efficiently and as economically as is possible, with the understanding that

<sup>1</sup> See Appendix B.

<sup>2</sup> *Ibid.*



they may, from time to time, be required, in the national interest, to provide service on which they cannot cover their costs of operation. The national requirements for so-called uneconomic service should not be permitted to become a license for extravagance and misuse of public funds.

To this end, we recommend the nationalization of the Canadian Pacific Railway Company, and the integration of the CP system with the CNR. The reasons for nationalizing the CPR can be summarized as follows:

- (1) In public statements, the CPR has made it clear that it is only prepared and able to provide railway services which offer commercial incentives.
- (2) The CPR is not prepared to cover losses on so-called uneconomic services, with profits on so-called economic services, nor with profits earned from its many and varied investments in other industries.
- (3) The existence of two national railway companies involves unnecessary duplication of track, physical plant, and resources.
- (4) Economies can be realized through the integration of the two railway systems, and the operation of the integrated system with one line of management.

### Conclusions and Recommendations

Interprovincial transportation has been, and continues to be indispensable to the economic and political future of our nation. As such, transportation is a service industry and should be regarded and treated as such.

The basis for providing transportation service should be the social and economic needs of the shipper and/or community—be it local or national. The cost of providing such service is an important but secondary consideration.

We submit the following recommendations for your consideration:

- (1) The establishment of a single federal transportation authority with power to harmonize, regulate, control and plan national transportation services, regardless of mode.
- (2) The treatment of national transportation by the authority as a unit.
- (3) The placing of the authority under the jurisdiction and responsibility of the Minister of Transport.
- (4) The creation of an agency under the authority to assist in the determination of need for service.
- (5) The nationalization of the CPR and the integration of that system into one single government utility.

All of which is respectfully submitted by

The National Farmers Union of Canada.

## Appendix A

October 5, 1964.

The Honourable J. W. Pickersgill,  
Minister of Transport,  
House of Commons,  
Ottawa, Canada.

Dear Sir:

Having carefully studied the content of Bill C-120, we are of the opinion that we cannot accept the Bill in principle as it now stands.

In our opinion, the principle of the Bill can be stated as follows: Railway companies shall be permitted to compete freely with other modes of transportation in order to realize a profit (Sec. 1a). Those branch lines, or portions thereof, on which railway companies cannot realize a profit, shall be candidates for abandonment (Sec. 314). If the public interest demands the continuation of a branch line or portion thereof on which the railway company is not realizing a profit, then the company shall be compensated for loss (Sec. 314f). The company shall not be required to operate an uneconomic branch line beyond the 30th day of June, 1979 (Sec. 314c), unless so ordered by Order in Council (subsection 5 of section 314c), in which case the Company shall receive compensation for losses incurred (subsection 6 of section 314g).

In other words, the purpose of Bill C-120 is to guarantee railway companies an environment in which they can, through competition with other modes of transportation, realize a return on their investment. The needs of the shipper and the community have been relegated to a secondary consideration. This, we submit, is not in keeping with national transportation policy as developed in Canada over the years. Bill C-120 places the needs of the providers of rail service over the provision of rail service. This principle is unacceptable to the Saskatchewan Farmers Union.

Moreover, the principle by which freight rates shall be determined as outlined in sections 325 and 15 is unacceptable. In view of the dependency of the national economy on transcontinental transportation, we submit that the fixing of freight rates is too important a matter to be left to the pleasure and discretion of the railway companies. The provisions of sections 328 and 325 do not detract from the principle outlined in sections 325 and 15. Crow's Nest Pass Rates, and exemptions from freight rates determined by the railway companies have become exceptions to, rather than the basis of national transportation policy. The public determination and regulation of railway freight rates is no longer the cornerstone of national transportation policy.

We therefore respectfully request the Government refer Bill C-120 to the Railway Committee of the House of Commons before Second Reading. Through public hearings, the Committee may so amend the Bill as to render it satisfactory to the shipper, the community, and the railway companies.

Your truly,

Roy Atkinson,  
*President.*

c.c. The Right Honourable L. B. Pearson, Prime Minister.

The Right Honourable J. G. Diefenbaker, Leader of the Opposition.

Mr. T. C. Douglas, M.P., Leader of the New Democratic Party.

Mr. R. N. Thompson, M.P., Leader of the Social Credit Party.

Mr. Rhéal Caouette, M.P., Chef du Ralliement Cr ditiste.

## Appendix B

## SASKATCHEWAN FARMERS UNION

Submission

to the

RAILWAY COMMITTEE OF THE PROVINCIAL EXECUTIVE COUNCIL

on

Bill C-120

Regina, Saskatchewan

January 4, 1965

## Introduction

The Saskatchewan Farmers Union welcomes the opportunity of sharing its views on Bill C-120 with the Railway Committee of the Executive Council of the Province of Saskatchewan. The Union and its members commend the Government for inquiring into the nature and consequences of Bill C-120. We trust that this inquiry will enable the Government to forcefully place the views of Saskatchewan people before the Federal Government and Parliament.

## The SFU Stand on Bill C-120

The 15th annual convention of the Saskatchewan Farmers Union (December, 1964) spent considerable time discussing and studying events leading up to the introduction of Bill C-120 to the House of Commons on September 14th. The convention unanimously passed a resolution that declared:

- (1) The principle on which Bill C-120 rests is totally unacceptable to Saskatchewan farmers.
- (2) The provisions for the abandonment of branch lines were inadequate.
- (3) The provisions for the establishment of freight rates were contrary to the public interest.

We would like to document these three conclusions in some detail.

## The Principle of Bill C-120

Bill C-120 is based on the conclusions and recommendations of the MacPherson Royal Commission on Transportation. An explanatory note in the Bill reads in part:

The Report of the Royal Commission on Transportation contains a number of recommendations with respect to the regulation of railways in a competitive environment . . . The purpose of this Bill is to give effect generally to these recommendations so far as the Railway Act is the appropriate place to do so.<sup>1</sup>

In introducing the resolution related to Bill C-120, the Minister of Transport made reference to the recommendations of the MacPherson Royal Commission and said in part:

. . . the recommendations in the main have commended themselves to the government, and in the main we are proposing to ask parliament to translate these recommendations into legislation. . .<sup>2</sup>

<sup>1</sup> Bill C-120, Second Session, 26th Parliament, 13 Elizabeth II, 1964, explanatory note No. 1.

<sup>2</sup> House of Commons Debates September 14, 1964, p. 7980.



The principle on which Bill C-120 rests, then, grows out of the findings and recommendations of the MacPherson Commission. Let us briefly consider those findings and recommendations.

The Commission finds that national transportation policy, as developed over the years, no longer meets modern transportation conditions. They claim that the essential innovation in the transportation industry is the rise of *different* and *competing* modes of transportation. They argue that a transportation policy suitable to railway monopolies is inappropriate to competitive circumstances. *Their major finding, then, was competition in the transportation industry.*<sup>1</sup>

On the basis of this finding, the Commissioners have drawn an important conclusion.

National transportation policy must seek to achieve a position of economic neutrality wherever competition prevails. Under conditions of essential neutrality there is no apparent reason why each mode of transport cannot compete on the basis of technological adaptability and managerial skill. So long as policy neutrality is preserved, new methods and modes of transport will be encouraged on the basis of their competitive ability and old ones will pass from the scene on the basis of competitive disability. Public policy should assiduously strive, to be responsible for neither, except in those deliberate instances where in the absence of satisfactory competition developmental policies require it.<sup>2</sup>

In other words, the provision of transportation services, the modes of transport, the freight rates, etc., should be determined by competition, not public regulation and legislation, in those circumstances in which competition between different modes of transportation prevails. Again the Commissioners note:

We are convinced that the benefits of competition to the nation are substantially secure under the incentive of profit maximization and that this incentive can be made to work satisfactorily under a system of mixed, private, and public ownership, so long as publicly owned transportation companies are instructed, permitted, and regulated to work under the criteria of normal business practices.<sup>3</sup>

The key to transportation becomes the incentive of profit maximization under competitive circumstances. What, in effect, does this mean? An officer of the Canadian Pacific Railway Company provides a pointed and succinct answer:

Funds for its (CPR) investment in property and equipment have been provided by investors looking for a legitimate profit as a return on their investment. If the Company is to provide service to Canada in the future as it has in the past, there must be a constant supply of funds for new investment in improved equipment and facilities and

<sup>1</sup> We question the validity of this finding. Evidence in the third volume of the Commission report makes it clear that the railway companies have made a significant entry to the trucking industry. Having listed the consolidations which have taken place in the trucking industry, Carr observes:

"In spite of these consolidations the degree of concentration in the for-hire trucking industry in Canada was still not large though the overall CPR organization was approaching a dominant position." "Truck-Rail Competition" Vol. III., p. 43. Moreover, the Commissioners themselves do not negate the possibility of increased railway company investment in the trucking industry. They comment in part:

"... the only disadvantage of large-scale ownership of truck lines lies in the danger that it poses to independent truckers. This danger can only persist if railway ownership is more efficient than either independent or private trucking. Efficiency should not be penalized." Volume II, p. 81.

<sup>2</sup> Report of the Royal Commission on Transportation, Dec. 1961, Vol. II, Chapter X, p. 276.

<sup>3</sup> *Ibid.*, p. BGE.

better ways of providing transportation service. These funds *will be only made available by investors if the Company can hold out the prospect of its operations resulting in a reasonable profit.*<sup>1</sup>

This statement by an officer of the CPR is critical and deserves some attention. First, it is made clear that the provision of railway services is conditional upon two factors:

- (a) The provision of investment capital; and
- (b) The assurance that invested capital will earn a return of what the CPR calls a "reasonable profit."

If, and only if, these two conditions are met, does the CPR guarantee to provide Canada with railway transportation. The objective of the CPR is clear—namely, to earn a profit or a return for their investors. The provision of transportation service is a *secondary* consideration.

Second, it is apparent that the CPR and its approach to national transportation is narrow in scope. This point is recognized by the MacPherson Commission report. The Commissioners observe that there are times when national or community interests demand rail transportation under conditions where a profit by a railway company cannot be realized. In this regard, the Commissioners note:

It should be quite apparent that as long as the transportation system is required to perform services which do not reflect commercial incentives, financial assistance from the Government will be a necessary component of transportation policy.<sup>2</sup>

In other words, railway companies should only be required to operate those lines or portions thereof on which they can realize a profit. If the community or national interest demands the operation of an uneconomic branch line or rail service, then the community should be required to pay for same.

The principle of Bill C-120 can now be restated. Traditional national policy has treated railway transportation as a means to an end—that end being the development and maintenance of a viable economic and political nation. Bill C-120 changes national policy to one in which rail transportation may be considered as an end in itself.

The goal of national transportation policy now becomes one of creating an environment in which various modes of transportation may compete freely with one another. Competition shall determine the mode and kind of transportation service provided. Put another way, returns on investment or profits shall determine what kind of transportation service shall be provided, where it shall be provided, and when it shall be provided. In other words, the need for rail transportation services is no longer the primary and most important consideration. The provision of rail service becomes a secondary consideration to that of realizing a return on investment.

The SFU cannot accept this principle. Because of its geographic and regional features, the Canadian economy has required, and is still in need of, an interprovincial transportation system which satisfies the needs of the shipper. If rail transportation service is only going to be provided in those instances in which the railway company can realize a profit, then it is clear that many shippers and communities will be denied rail service.

It can be argued that the MacPherson Commission and Bill C-120 provide for such a contingency. The Bill makes it clear that railway companies

<sup>1</sup> Submission by S. M. Gossage, Vice-President and General Manager, Prairie Region, Canadian Pacific Railway Company, to the Saskatchewan Provincial Conference of Railway Retention Committees, Regina, Nov. 22, 1963.

<sup>2</sup> Report of the MacPherson Commission, *op. cit.*, Chap. VII, p. 195.

may be required to provide rail service to communities and shippers, even when they lose money in doing so. However, the Bill also provides that the public—this is, the taxpayer—shall compensate the railway companies for any losses incurred in operating uneconomic rail services. This principle is equally unacceptable to the SFU.

*We submit this principle is nothing short of an unjust and unfair system of taxation.*

Let us consider a hypothetical case in which a railway company claims a loss of \$1,000 on branch line A, and claims a profit of \$1,000 on branch line B for a given financial year. Let us also suppose that the company applies for leave to abandon branch line A, that the Board of Transport Commissioners authorizes the abandonment of the line, but the Branch Line Rationalization Authority requires the company to operate branch line A for an additional two years in order to satisfy the public interest.

Bill C-120 provides that the public must compensate the railway company for any alleged losses incurred in the operation of branch line A for the two years in question. The Bill *does not require* the railway company to apply the alleged profit of \$1,000 on branch line B to the alleged loss of \$1,000 on branch line A. In other words, the Canadian public is being taxed to guarantee the CNR and CPR a profitable operation. In the case of the publicly owned CNR, the principle is absurd; in the case of the CPR, the principle is difficult to justify. We know of no occasion when the Canadian public has declared that public monies should be made available to guarantee a profit to the CPR on each and every rail line it operates. The SFU unequivocally rejects the idea that the Canadian public should be further taxed in order to guarantee adequate rail service from the CPR.

### Abandonment of Branch Lines

The Bill provides machinery for the abandonment of any branch line or PORTION THEREOF which is uneconomic. The Bill provides two criteria in defining an uneconomic branch line. The first is what the Bill calls "actual losses" incurred in the operation of a branch line or portion thereof, and the second is . . . such other factors as in its (Board of Transport Commissioners) opinion are relevant."

The Bill defines "actual loss" as an excess of . . .

. . . the costs incurred by the company in *any* financial year thereof in the operation of the line and in the movement of traffic originating or terminating on the line *over* the revenues of the company for that year from the operation of the line and from the movement of traffic originating or terminating on the line . . .<sup>1</sup>

The Bill *does not* define "such other factors" that the Board of Transport Commissioners may deem to be "relevant" in deciding whether or not a given branch line or portion thereof is uneconomic.

Section 168 of the Railway Act as amended by section 6 of Bill C-120, and section 314B of Bill C-120 make it clear that railway abandonment will take place on a piecemeal basis.

The Saskatchewan Farmers Union finds these provisions of the Bill totally inadequate. The only clear criterion of an uneconomic branch line is "actual loss". The second criterion is less than vague. The Bill fails to specifically include such considerations as needs of the shipper, alternative transportation facilities, including related branch lines, etc., in *determining* whether a branch line is uneconomic and should therefore be abandoned.

Moreover, piecemeal abandonment is not consistent with Canadian needs. Canada requires both a national and regional approach to the provision of transportation services. Such an approach should include an over-all social

<sup>1</sup> Bill C-120, section 314A.



and economic study of a given region, in which the needs for rail services are assessed objectively. Such a preliminary study should serve as a guide as to what lines should be abandoned, what lines should be kept in operation, and where new lines should be laid to provide needed service.<sup>1</sup>

The provision of rail service should be based on the social and economic needs of the shipper and the community. The SFU insists that the cost of providing such service should be included in the assessment of need. However, the cost of service should be one of several criteria used in determining whether or not a line should be abandoned. It should not be the principal criterion.

Finally, the SFU submits that alleged losses in the provision of railway service cannot be satisfactorily established in terms of any single branch line or portion thereof, nor in terms of any given financial year. The SFU finds it difficult to believe that any responsible government could seriously recommend legislation of this kind to Parliament. In the first place, it is not possible to objectively establish the loss or profit on any branch line or portion thereof in any financial year. Second, even if it were possible to do so, profits and losses are normally assessed on the whole operation over a number of years. In the case of Saskatchewan, a series of crop failures would result in a reduction of grain traffic moving over Saskatchewan lines. The railway companies could, if they chose, claim that many branch lines were uneconomic if "actual loss" were to remain the principal criterion in determining whether a branch line is uneconomic. Yet we know from experience that these same lines could be used to maximum capacity if a period of crop failures were followed by a series of bumper harvests.

The Bill provides for a Branch Line Rationalization Authority. One of the functions of the Authority is to fix a date at which time rail lines, defined by the Board of Transport Commissioners as uneconomic, shall be abandoned. The Bill provides that the Authority shall take into account the following considerations in fixing a date for abandonment:

- (a) The alternative transportation facilities available or likely to be available to the area served by the line;
- (b) The period of time reasonably required for the purpose of adjusting any facilities, wholly or in part dependent on the services provided by the line, with the least disruption to the economy of the area served by such line;
- (c) The probable effect on other lines or other carriers of the abandonment of the line or of the abandonment of any segments of the line at different dates;
- (d) Any rule prescribed by the Authority for the orderly processing of applications for the abandonment of lines in the area served by the line or in surrounding areas;
- (e) The feasibility of maintaining the line or any segment thereof as an operating line by changes in the method of operation;
- (f) The feasibility of maintaining the line or any segment thereof as an operating line in the system of another rail carrier by the purchase or lease of the line to another railway company or otherwise, and
- (g) The probable future transportation needs of the area served by the line.<sup>2</sup>

In other words, the Bill only provides for a consideration of such items as alternative transportation facilities, the social and economic needs of the com-

<sup>1</sup> This point is further developed in a memorandum to the Minister of Transport, May 13, 1964. See Appendix A.

<sup>2</sup> Bill C-120, Section 314-C (2).

munity, etc., in fixing the *date* on which a line or portion thereof shall be abandoned.

The Bill, however, determines the range of time within which the Authority may set a date for abandonment. Subsection 3 of Section 314C of the Bill states that the Authority may order the continued operation of an uneconomic branch line when it is in the public interest to do so. However, the Bill goes on to say:

...nothing in this sub-section shall be taken to require the continued operation of the line or any segment thereof beyond the 30th day of June, 1979.<sup>1</sup>

There is only one exception to this provision. Sub-section 5 of section 314-C provides that upon petition, the Governor in Council (i.e., the federal Cabinet) may stay the abandonment of a line after the 30th day of June, 1979, if they deem it to be in the public interest to continue the operation of the line.

If a railway company is required by the Branch Line Rationalization Authority to continue the operation of an uneconomic branch line, the company shall be compensated for losses incurred, the monies to be paid out of the federal treasury. In effect, the Bill provides that railway companies can operate profitable branch lines or portions thereof; they are not required generally to operate uneconomic branch lines or portions thereof; if, however, the Authority requires a railway company to operate an uneconomic branch line for a given period of time, the public shall compensate the company for any losses incurred.

The SFU finds these provisions of the Bill unacceptable. In effect, the Bill provides that alleged profits earned by railway companies on so-called economic branch lines shall not be made available to cover alleged losses on so-called uneconomic branch lines or portions thereof. The Canadian taxpayer will be required to cover these alleged losses out of his own pocket.

The SFU submits that the Canadian taxpayer already has a heavy investment in the railroad industry in Canada. In the case of the C.P.R., the Canadian public provided the Company with a cash grant of \$25 million, and its choice of 25 million acres of land, including mineral rights, in return for the construction of a main line west, linking the unsettled prairies and the Pacific coast with the east.<sup>2</sup> In addition, the public has provided the C.P.R. with a cumulative grand total of \$106,280,334 in cash subsidies and expenditures on construction, and a cumulative grand total of 43,962,546 acres in land grants.<sup>3</sup> These figures include the original grants in regard to the construction of the main transcontinental line in the 1880's, but do not include a federal grant of 53,580 acres and provincial grants of 8,150 made to the Company for right of way and station grounds.

The SFU strongly recommends that so-called economic branch lines or main lines be required to cover—in part, or insofar as is possible, in whole—alleged losses on so-called uneconomic branch lines. Moreover, in view of the heavy public investment in Canadian railways, we recommend that the entire railway system be rationalized, operated under one management, and run as a public utility.

### Freight Rates

At present, the Board of Transport Commissioners is empowered to fix freight rates, and no railway company may publish a tariff of tolls which does not meet with the approval and regulations of the Board of Transport Commissioners.

<sup>1</sup> *Ibid.*, Section 314-C, sub-section 3.

<sup>2</sup> "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960, (Regina: Queen's Printer, 1961).

<sup>3</sup> "Canadian Pacific Railway Company, 1923-63", *Dominion Bureau of Statistics*, Table 3.

Section 15 of Bill C-120 repeals these powers presently held by the Board. The Bill simply requires railway companies to file their tariffs with the Board. The Board is only empowered to make regulations fixing or determining the time when, the place where, and the manner in which the tariff shall be filed, published, kept open for public inspection, amended, consolidated, superseded, or cancelled.

Section 334, sub-section 1, of the Act stipulates that unless otherwise provided for, all freight rates shall be compensatory. What does the Bill mean by compensatory freight rates? It defines it as follows in sub-section 2 of Section 334:

A freight rate shall be deemed to be compensatory when it exceeds the variable cost of the movement of traffic concerned as is determined by the Board.

And in sub-section 3 of the same section:

In determining for the purposes of this section the variable cost of any movement of traffic the Board shall (a) have regard to all items and factors prescribed by regulations of the Board as being relevant to the determination of variable costs; and (b) compute the costs of capital in all cases by using the costs of capital approved by the Board as proper for the Canadian Pacific Railway Company.

There are a number of exemptions to this general policy of determining freight rates. The most important one is the Crow's Nest Pass rates. There are in addition a number of general exemptions.

Sub-section 4 of Section 334 stipulates:

The Board may disallow any freight rate that after investigation the Board determines is not compensatory.

and in Section 335, sub-section 1, the Bill reads:

A shipper of goods for which in respect of those goods there is no alternative practicable route and service by a common carrier other than a rail carrier or carriers or a combination of rail carriers may, if he is dissatisfied with the rate applicable to the carriage of those goods after negotiation with the rail carrier for an adjustment of the rate, apply to the Board to have the probable range within which a fixed rate for the carriage of the goods would fall determined by the Board; and the Board shall inform the shipper of the range within which a fixed rate for the carriage of goods would probably fall.

and in sub-section 2 of Section 335:

After being informed by the Board of the probable range within which a fixed rate for the carriage of goods would fall, the shipper may apply to the Board to fix a rate for the carriage of the goods and the Board may after such investigation as it deems necessary, fix a rate equal to the variable cost of the carriage of the goods plus one hundred and fifty per cent of the variable cost as the fixed rate applicable to the carriage of the goods in respect of which the application was made. (Hereinafter in this Section referred to as the 'Goods Concerned').

The SFU cannot accept those provisions in the Bill which exempt the establishment of freight rates from public regulation and control. The Crow's Nest Pass rates, once the cornerstone of national transportation policy, now become the *exception* to national policy. The fixing and determination of freight rates has been, by and large, taken out of public control and left to



the discretion of the railway companies. The SFU submits that the establishment of freight rates in Canada is too important a matter to be left to the pleasure of either the CNR or the CPR.

There is one final observation in regard to freight rates. Section 329 of the Bill makes provision for a federal subsidy to railway companies for any losses incurred in the movement of grain under Crow's Nest Pass Rates. This provision relates to claims made by the CPR before the MacPherson Royal Commission that the railway companies together lost some \$70 million in the movement of grain under Crow's Nest Rates in 1958.

The Commission conducted its own inquiry and estimated that losses to the railway company in moving grain under Crow's Nest Rates were in the order of \$23 million for the year 1958.

The Saskatchewan Wheat Pool has advised the Union that these alleged losses may be simply a function of the cost accounting techniques employed. The SFU joins the Saskatchewan Wheat Pool in rejecting the claims of the railway companies that losses are incurred in moving grain under Crow's Nest Pass Rates. Moreover, we support the Wheat Pool in their contention that a subsidy of Crow's Nest Rates, as proposed in Bill C-120, would place the continuation of those rates in jeopardy.

#### Recommendations:

On the basis of the arguments presented above, the SFU respectfully makes the following recommendations. Bill C-120 should be amended to provide for the following:

(1) A declaration that interprovincial transportation in Canada is a service industry, necessary to the well being of the Canadian economy;

(2) The establishment of a single government agency under the Minister of Transport, to co-ordinate, harmonize, regulate, and control interprovincial transportation, regardless of mode;<sup>1</sup>

(3) The provision of rail, and/or other transportation services on the basis of social and economic need for same;

(4) The provision of rail transportation services at cost;

(5) The establishment of a rail line rationalization authority under the jurisdiction of and responsible to the Federal Transportation Agency mentioned in (2) above; the functions of this authority to include:

(a) The consolidation and rationalization of all interprovincial railway systems in Canada (See (6) below).

(b) The maintenance of a research department, engaged in a continual study and examination of railway operations, the changing needs for rail service, investment priorities, etc.

(c) The processing of applications for either the abandonment of branch lines or the provisions of new rail service, these processed applications to be referred to the federal agency for decision.

(6) The nationalization of the Canadian Pacific Railway Company, and the integration of the CPR system with the CNR network (See (5a) above).

(7) The establishment, regulation, and control of freight rates by the federal agency mentioned in (2) above.

(8) The reaffirmation of the statutory Crow's Nest Pass Rates.

The Saskatchewan Farmers Union submits these recommendations in the hope that the Government of Saskatchewan will lend its support to the principles and proposals outlined in this brief.

All of which is respectfully submitted.

<sup>1</sup> The argument in support of this kind of federal transportation agency can be found in Appendix A, pp. 3-7.



HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-65

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STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND  
TELEGRAPH LINES

*Chairman:* JEAN T. RICHARD

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

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THURSDAY, MARCH 25, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

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WITNESSES:

From the *Canadian Manufacturers Association*: Messrs. J. Mitchell, Chairman, A. R. Treloar, A. S. Marshall, W. J. Rae, R. E. Barron. From the *Branch Line Association of Manitoba*: Messrs. G. Jamieson, Vice-President, D. F. Rose, R. MacKenzie and Alan Scharth.

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965



STANDING COMMITTEE  
ON  
RAILWAYS, CANALS AND TELEGRAPH LINES

*Chairman:* Jean T. Richard,  
*Vice-Chairman:* Joseph Macaluso,  
and Messrs.

Addison	Guay	McBain
Armstrong	Gundlock	McNulty
Balcer	Hamilton	Millar
Basford	Hahn	Mitchell
Beaulé	Horner ( <i>Acadia</i> )	Muir ( <i>Lisgar</i> )
Berger	Howe ( <i>Wellington-</i> <i>Huron</i> )	Nugent
Boulanger	Kindt	Olson
Cadieu	Korchinski	Orlikow
Cameron ( <i>Nanaimo-</i> <i>Cowichan-The Islands</i> )	Lachance	Pascoe
Cantelon	Laniel	Prittie
Cantin	Latulippe	Rapp
Cowan	Leblanc	Regan
Crossman	Legault	Rhéaume
Crouse	Lessard ( <i>Saint-Henri</i> )	Rideout (Mrs.)
Deachman	Lloyd	Rock
Fisher	MacEwan	Southam
Forbes	Macdonald	Stenson
Granger	Marcoux	Stewart
Grégoire	Matte	Tucker
		Watson ( <i>Assiniboia</i> )—60.

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

THURSDAY, March 25, 1965

(34)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:00 o'clock this day. The Vice-Chairman, Mr. J. Macaluso, presided.

*Members present:* Mrs. Rideout and Messrs. Berger, Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Fisher, Forbes, Kindt, Korchinski, Lachance, Macaluso, Matte, Millar, Mitchell, Muir (*Lisgar*), Pascoe, Rapp, Rock, Southam, Stewart, Tucker (21).

*In attendance:* From the *Canadian Manufacturers Association*: Messrs. J. Mitchell, Chairman; A. R. Treloar, Managing Director; A. S. Marshall, Member; W. J. Rae, Member; R. E. Barron, Member. From the *Branch Line Association of Manitoba*: Messrs. G. Jamieson, Vice-President; D. F. Rose, Executive Director; R. MacKenzie, Executive Director; Alan Scharth, Q.C., Solicitor.

*Also in attendance:* Mr. H. B. Neilly, Chief Economist, *Railway and Highways Branch, Department of Transport*; Mr. K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company*; Mr. Alastair MacDonald, Q.C., and Mr. Walter Smith a representative from the *Canadian National Railways*.

The Committee resumed its consideration of the subject-matter of Bill C-120.

At the opening of the meeting, a discussion arose concerning the delay in getting a quorum. The Chairman informed the Committee that he would discuss that problem with the proper authorities.

After discussion about the opportunity of reading the briefs or to consider them as having been read,

On motion of Mr. Forbes, seconded by Mr. Stenson,

*Resolved*,—That the briefs be now read before the Committee.

The Chairman called and introduced Mr. Mitchell who read a prepared brief which had been distributed in English and in French to the Committee.

The witnesses from Canadian Manufacturers Association were examined.

The Chairman thanked the witnesses for their co-operation and they were retired.

Thereupon, the Committee agreed to have Mr. Jamieson read the brief of the Branch Line Association of Manitoba and have the examination of the witnesses postponed until the next meeting, later this day. (*See Appendix G for map attached to brief*)

At 12:20 p.m. the Committee adjourned until 3:30 p.m. this day.

AFTERNOON SITTING  
(35)

The Committee reconvened at 3:50 p.m. The Vice-Chairman, Mr. J. Macaluso, presided.

*Members present:* Mrs. Rideout and Messrs. Armstrong, Berger, Boulanger, Cantelon, Cantin, Crouse, Deachman, Fisher, Forbes, Hahn, Lachance, Leblanc, Legault, Lessard (*Saint-Henri*), Macaluso, Macdonald, Millar, Muir (*Lisgar*), Orlikow, Pascoe, Rapp, Regan, Rock, Southam, Stewart (26).

*In attendance:* From *Branch Line Association of Manitoba*: Messrs. Jamieson, Vice-President; D. F. Rose, Executive Director; R. MacKenzie, Executive Director; Mr. Alan Scharth, Q.C., Solicitor; From the *Department of Transport*: Messrs. H. B. Neilly, Chief Economist, *Railways and Highways Branch*; K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company*; Walter Smith a representative from the *Canadian National Railways*.

The Committee resumed its examination of witnesses from the Branch Line Association of Manitoba.

Following discussion, there being no further questions, the witnesses were retired.

The Chairman informed the Committee that on Tuesday, March 30th the following witnesses would be heard:

The National Legislative Committee,  
International Railway Brotherhoods, Ottawa.  
Canadian Industrial Traffic League,  
Toronto, Ontario.  
Maritime Transportation Commission,  
Halifax, N.S.

It being 5:05 o'clock p.m., the Committee adjourned until Tuesday, March 30, 1965.

Marcel Roussin,  
*Clerk of the Committee.*



## EVIDENCE

THURSDAY, March 25, 1965.

The VICE CHAIRMAN: Gentlemen, we have a quorum.

Before we start the meeting I want to apologize to the delegation from the Canadian Manufacturers Association and to the Branch Lines Association of Manitoba for the delay in commencing. There are three committees sitting today, the Industrial Relations Committee, the Defence Committee and this committee. However, that is no excuse because this committee numbers 60 members and we only require a quorum of 12.

Mr. MUIR (*Lisgar*): Mr. Chairman, before you continue may I say a few words on the same subject? I think it is disgraceful that in a committee of 60 members we can get only 12 members here, 10 of whom are Conservatives. Half of the committee which is made up of 60 members consists of government members, and this is true of every committee in this house, and yet it is the opposition that has to make up quorums. I think it should be brought by yourself, sir, to the attention of the Prime Minister that his members are not doing their committee work. It is disgraceful that a group of busy men, not only including the gentlemen who are here as witnesses but members of parliament who have other work to do, have to sit around for half an hour just because the Liberal members cannot get their members to the committee. I protest very strongly.

The VICE CHAIRMAN: I sympathize with you this morning. As far as your comments are concerned I would say that we have had committees where there have been no members from all the parties present, Mr. Muir, and I think it is a pretty general statement which you have made but I have made note of your comments and I will see that the proper people are made aware of them.

Mr. KINDT: Mr. Chairman, I have one other footnote to add to this. Is it not possible for the government to appoint what you might call a schedule man from whom the chairman of committees could get permission to hold meetings so that this overlapping could be avoided?

The VICE CHAIRMAN: This has been a problem of all our committees, as you are well aware; this is an internal problem. That particular problem has been discussed.

Mr. KINDT: But you have done nothing about it. It is like everything else this government does, do nothing about it.

The VICE CHAIRMAN: I have to rule this out of order, Mr. Kindt. This is a biased comment and it is not my intention to be biased on this committee or on any other committee. I think we should proceed.

I want to introduce to you Mr. Mitchell, the chairman of the transportation department of the Canadian Manufacturers Association. Mr. Mitchell will introduce the other members of his delegation.

Mr. MILLAR: Who does Mr. Mitchell work for?

Mr. JOHN MITCHELL (*Chairman, Transportation Committee, Canadian Manufacturers Association*): I am the traffic manager of Dupont of Canada.

Mr. MILLAR: I have given you a little plug.

Mr. MITCHELL: I represent here the delegation from the Canadian Manufacturers Association in my capacity as chairman of the transportation com-

mittee of that association. I have with me Mr. A. S. Marshall, member of the committee, and Mr. W. J. Rae, also member of the committee. We also have Mr. A. R. Treloar, manager of the transportation department of the C.M.A., and Mr. R. E. Barron, assistant manager of the transportation department of the C.M.A.

The VICE CHAIRMAN: Gentlemen, as stated earlier, it was my intention to have the brief, which has been in our hands for over a week, taken as read and printed as an appendix to today's proceedings. However, I will leave this in the hands of the committee. If they will agree to this, I will accept a motion on this. If not, we will proceed with the complete reading of the brief, and Mr. Mitchell and his delegation are prepared to deal with the main points in the brief and be open to questions on the complete brief.

Mr. FORBES: I will move that the brief be read.

Mr. STENSON: I will second it.

The VICE CHAIRMAN: Motion agreed to.

Mr. CANTELON: Might I suggest that in future if briefs are in our hands for more than a day that they be taken as read?

The VICE CHAIRMAN: I think that is the proper course, that briefs should be taken as read if they are here for more than at least a couple of days. It is incumbent on all members to read the briefs before they come to this committee. The delegations go to a lot of trouble to prepare their briefs that are sent to us and copies are made of them both in English and French. I might add that the Canadian Manufacturers Association have prepared this brief both in English and in French and have distributed copies thereof. However, in the future I would hope the committee would take the briefs as read and then the delegation can deal with the highlights of their brief and be open to questions.

Mr. MITCHELL: Submission of the Canadian Manufacturers Association to the House of Commons standing committee on railways, canals and telegraph lines with respect to the subject matter of Bill No. C-120,

to amend the Railway Act, the Transport Act, the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act

### 1. General Comments

The Canadian Manufacturers' Association welcomes the opportunity of presenting its views to your committee concerning the subject matter of the above-mentioned bill.

The Association is a non-profit, non-political organization of manufacturers, first joined together in 1871 to take concerted action on their common problems. The association's membership of over 6,000 is located in over 600 cities, towns and villages from coast to coast who produce about 75 per cent of Canada's total manufacturing output. It may be of interest to note that more than three-quarters of the association's member firms employ less than 100 persons.

The increasingly acute railway problem, arising from the growth of competitive forms of transportation in the post-world war II era, and which was brought into close focus in the report of the Royal Commission on Transportation, has centred attention on the need for remedial action.

It is the association's view that the content of the subject matter of the bill in question, designed to relieve the railways of burdens imposed by law and public policy and to materially modify the existing economic regulation relating to their freight and express services, constitutes a significant step in the right direction.

The forthright principles expressly set forth in the national transportation policy for the attainment of an efficient, balanced and adequate transportation system, are regarded as being eminently sound. The views and suggestions submitted by the association relating to particular aspects of the subject matter of the Bill in no way derogate from such principles.

## 2. Abandonment of Lines (Clauses 4, 6 and 7)

It is the considered view of the association that the rationalization programme of abandonment could be more efficiently and economically administered by a single body, the board of transport commissioners for Canada, in line with the administrative plans suggested by the royal commission on transportation for implementing its recommendations on rationalization of railway plant, appearing on pages 139 to 144 of volume II of its report.

In our opinion, the procedures prescribed in the above designated clauses of the bill governing applications for abandonment of lines, and the division of functions and responsibilities between the branch line rationalization authority, the board of transport commissioners and the Minister of Agriculture, as well as provisions for an appeal to the governor in council, unduly complicate the processing of such applications and would involve delays and additional expense by presenting opportunities for extending such proceedings over a period of years.

## 3. Provisions against unjust discrimination, preference and prejudice (Clauses 9, 10, 11 and 12)

The Association is in accord with the purpose of the bill to rescind the existing outmoded provisions of the railway act prohibiting unjust discrimination, preference and prejudice in respect of tolls and services which impose a restraint on the railways in exerting their maximum competitive potential.

At the same time, it is keenly conscious that, with the abolition of the sections of the act relating to such provisions, unlimited discretion will reside with railway management to stretch this new-found freedom to the other extreme of licence to discriminate with impunity between users of rail transportation whether or not such difference in treatment is attributable to competition of other carriers. In other words, while considerations of equity and fairness justify the removal of any legislative hobbles that restrain railways from competing with other methods of transport, it is quite another thing if, in doing so, the users of rail services are exposed to the whims of the railways as to whether they will favour one shipper to the prejudice of another shipper competing in the same market.

With the enactment of the changes proposed in this bill, rail carriers are free, subject to the sole restriction that the rate must be compensatory, not only to meet competition but to make competition. If a railway, in order to capture the traffic of a particular shipper to a given market, chooses to undercut the rate of a competing mode of carriage to a level that the latter is unable to match but denies equal treatment to another shipper competing in the same market, the aggrieved shipper would have no ready recourse and might suffer irreparable harm. Invoking the provisions of the proposed new section 317 by way of a petition to the governor in council to institute an enquiry into alleged acts of the railways which prejudicially affect the public interest would afford a remedy which is too remote and time-consuming. Even in the case of an agreed charge established pursuant to the transport act, a shipper alleging unjust discrimination is afforded access to the board of transport commissioners, which is empowered to fix a rate on his traffic subject to the same conditions as attach to the agreed charge.

The association respectfully submits that there should be included in the amendments to the railway act a provision affording a remedy by direct



recourse to the board of transport commissioners to a user of rail transport alleging unreasonably discriminatory treatment by a railway if it is shown that this is not justified by competition or other conditions beyond the control of the railway.

#### 4. Class Rates (Clause 17)

By this clause, section 332 of the railway act prescribing what the class rate tariffs shall specify would be repealed. Class rate tariffs are the medium employed by a railway for ensuring that it has a rate on file with the board in accordance with the railway act for any traffic that may offer for movement over its rails, and, generally speaking, represent the ceiling rates charged by a railway. Heretofore, tariffs publishing these class rates have, by statutory requirement, been published for all distances covered by the company's railway.

With the deletion of this requirement, the railways are given almost exclusive powers by section 326 to fix, prepare and issue tariffs, tolls and rates. Subsection (2) of this latter section provides that the tolls may be either for the whole or any portion of the railway. Literal compliance with this latter subsection, therefore, would be effectuated if the class rates were published for particular portions of the railway and, presumably, traffic offered for movement from one portion of the railway to another portion of the railway could be charged the sum of the individual local rates published for each portion of the railway traversed.

The association does not oppose the repeal of section 332 of the Railway Act but does submit that, in view of the special status of class rates, the present requirement that such rates shall be published for all distances covered by the company's railway should be continued. To this end, an amendment is suggested to subsection (2) of section 326 of the Railway Act, making it read: "The tolls may be either for the whole or any portion of the railway but freight tariffs publishing class rates as defined in section 331 of this act shall specify rates for all distances covered by the company's railway."

#### 5. Ceiling for freight rates on captive traffic (Clause 19)

This clause proposes to introduce into the Railway Act a new provision, replacing the present section 335, that is designed to protect a shipper whose traffic is adjusted captive to the railway from being charged excessive rates by a rail carrier in the absence of competition from other modes of transport.

On the application of such a shipper, the board is authorized to fix, for the transportation of the designated traffic, a rate equivalent to the variable cost of carriage on the basis of carloads of 15 tons in standard railway equipment for goods of the type to be shipped, plus a mark-up of 150 per cent of such variable cost. Following receipt of notification from the board of the rate so fixed, the shipper then enters into a written undertaking with the rail carrier to ship the goods concerned by rail for a period of not less than one year at the fixed rate. Where the actual weight of the shipment is in excess of the minimum of 15 tons, an exception provides that the rate to be applied will be determined by deducting from the fixed rate an amount equivalent to 5 per cent of the variable cost in relation to which the said fixed rate was fixed, for each additional 5 tons by which the actual weight exceeds such minimum weight until a total weight of 30 tons is reached, and a further deduction of 5 per cent for each additional 10 tons by which the actual weight exceeds 30 tons until a total weight of 50 tons is reached, the rate for heavier weights remaining constant.

This provision introduces an innovation in economic regulation that is without parallel. For the captive shipper of goods normally moving in 15-ton carlots, the proposed basis for formulating the fixed rate may be found to afford

an acceptable measure of protection, but manifestly its validity as an adequate measure for even this limited application cannot be assessed in advance of the regulations to be issued by the board prescribing the items and factors that shall be deemed relevant in the determination of "variable cost".

Regardless of its propriety for captive traffic of the type mentioned, however, this association submits that the selection of a minimum weight of 15 tons in determining the variable cost of traffic of all kinds is quite unrealistic. A substantial portion of the traffic captive to the railways consists of bulk materials of heavy density with a loading capability of 70 tons or more per car. Weight is of particular significance in determining the variable cost of any movement, as of course, the more units of weight there are (whether it be expressed in tons or some other unit) over which to spread the variable cost, the less is the cost per unit. If, then, variable cost at the 15-ton level is appropriate as a base for determining the ceiling rate on a 15-ton load, why is variable cost at the 70-ton level not equally as appropriate a base for determining the ceiling rate on a 70-ton load?

Furthermore, the variable cost of carriage of particular traffic is uniquely important not only as establishing a price floor but also as a guide in determining the level of the specific rate which will result in maximizing the contribution to the overhead burden and consequently to the carrier's net income. This determination, of course, involves a matter of judgment as to the price sensitivity of demand of the particular traffic under consideration. Clearly the same considerations are pertinent in determining a price ceiling for any such traffic, if it is to be permitted to move at all.

We submit, therefore, that for regulatory purposes, the prescription of a mark-up of 150 per cent or any other uniform percentage, in relation to the relative variable cost for a car laden with 15 tons, to govern the determination of the upper boundary of the zone of reasonableness, would actually, in the guise of establishing mathematical accuracy, provide a misleading criterion if uniformly applied to all captive rail traffic. We are not aware of any mathematical calculation that has yet been developed which would be generally acceptable as an appropriate measure for determining the maximum reasonable rate for the widely divergent classes of traffic using rail facilities.

The association urges replacement of the provisions set out in this proposed section 335 of the act by an amended section giving effect in essence to the following:

A shipper who is prepared to enter into a written undertaking with a rail carrier to ship all shipments of his designated goods by rail for a period of not less than one year, may, if dissatisfied with the rate applicable to the carriage of such goods after negotiation with a rail carrier for an adjustment of the rate, apply to the board to fix a just and reasonable maximum rate for the carriage of such goods.

Where a fixed rate is made under this section the company shall file and publish a tariff of the fixed rate to become effective upon such date as the board may, by order or regulation, direct.

The term "shipper" as used in this section is to be construed to mean a person sending or receiving or desiring to send or receive goods by means of any rail carriers to which this act applies.

#### 6. Authority to agree upon and charge common rates (Clause 19)

Under the provisions of this clause, it is proposed to add a new Section 336 of the Railway Act, permitting the railway companies to agree upon and charge common rates.

It is the position of the association that, if this new provision is to be construed as including wholly owned or controlled trucking facilities of the railways, the proposed provision should be amended to specifically exclude such trucking entities from its operation.

#### 7. Carriage of Her Majesty's Mail, Canadian Forces and Peace Officers (Clause 27)

The proposed new provision replacing section 356 of the Railway Act requires the carriage of Her Majesty's mail, members of the Canadian forces and peace officers by the railways at rates consistent with Section 334.

In order to ensure that such negotiated rates fully reflect the national transportation policy and to avoid placing any burden on other traffic, it is suggested that subsections (1) and (2) of this section be amended to read: "at such rates as may be determined by the board to be compensatory."

#### 8. Other statutory provisions imposing an obligation on the railways not consistent with National Transportation Policy

The proposed legislation does not contain any amendment to the Railway Act implementing national transportation policy with respect to the obligation on the railways to provide free transportation to certain members of society, currently imposed under section 351. This obligation was commented upon by the royal commission on transportation, at pages 51-52 of volume I of its report, in the context of the principle urged throughout the report that carriers should be compensated for services which by statute they are obliged to perform.

It is the view of the association that this obligation to provide free transportation is similar to other burdens imposed on the railways which contribute to a misallocation of transportation resources and which the provisions of Bill No. C-120 are designed to relieve. It is therefore recommended that the above-mentioned section of the act should either be repealed or be amended to provide for the payment of compensation to the railways for services rendered under this section.

#### 9. National Transportation Policy (Clause 1)

It is observed that this bill, in the form introduced, does not propose to incorporate the national transportation policy enunciated in clause 1 thereof into the Railway Act itself. As this policy represents a clear break with the past, it is regarded as important that it should be given prominence in the statute most vitally affected by this declaration.

The association accordingly recommends that this declaration of national transportation policy be incorporated as an integral part of the Railway Act. It is suggested that it might properly replace the statement of national freight rates policy at present appearing in section 336, which by this bill will be deleted.

All of which is respectfully submitted.

The Canadian Manufacturers' Association

The VICE CHAIRMAN: Do the other members of your delegation wish to say anything before the questioning begins, Mr. Mitchell?

Mr. MITCHELL: Yes. Mr. Marshall has something to say with respect to the ceiling for freight rates on captive traffic. As you could see in reading this brief, this is a rather involved section. Mr. Marshall is familiar with this aspect, and he is prepared to add something to the brief separately on this subject.

The VICE CHAIRMAN: Very well. Mr. Marshall?



Mr. A. S. MARSHALL (*Member of the Transportation Department, Canadian Manufacturers Association*): Mr. Chairman, and members of the committee: this is a matter of giving some illustrations of how this particular section of Bill No. C-120 would operate. The association recognizes that the section of Bill No. C-120 dealing with maximum rate regulation is designed for the protection of the captive rail shipper. We recognize that the formula incorporated in the bill was a faithful reflection of the express intent of the royal commission. On behalf of the many members of the association, who are indeed captive shippers, we sincerely appreciate the concern shown for the captive shipper by the commission and by the drafters of the legislation. However, we are convinced that the particular formula expressed in Bill No. C-120 entirely defeats the purpose for which maximum rate regulation is intended.

I will refer to and illustrate two of the main defects. Firstly, as stated in our brief, a very large volume of captive traffic is represented by heavy loading bulk materials, some of which are loaded in carloads of more than 70 tons. Iron ore is a good example. For several reasons, an arbitrary calculation based on 15-ton cars is completely useless as a base for calculating costs of moving traffic of this nature. Perhaps the easiest error for me to explain is represented by the fact that, for example, the Bill No. C-120 formula would require the board of transport commissioners to calculate variable costs of iron ore traffic as if it would require five times as many cars as would actually be used in the movement. This would not multiply variable costs by five, but the variable cost so calculated would certainly be a multiple of the true variable cost based on the actual shipping conditions. I will give examples later.

The other principal error in the formula is the requirement that a loading of 150 per cent be added to the variable cost in order to arrive at the fixed maximum rate. This might be appropriate in isolated cases, particularly high value commodities. But bulk shipments of relatively low value commodities could not possibly support such a drastic loading factor.

Perhaps the best recognized proof of this is in the recommendations of the royal commission itself with respect to export grain rates. They require as a standard to be used for loading over and above variable costs, amounts which represent about 24 per cent of variable costs in the case of the Canadian Pacific Railway and about 22 per cent in the case of the Canadian National Railways. Grain rates are, of course, a special case, but at least we are entitled to take it that the royal commission believed that the railways would be adequately reimbursed in the case of this particular captive traffic by the payment over and above variable costs of about one-sixth of what was prescribed in Bill No. C-120.

I offer the following as examples of the compounding of these two erroneous factors, that is the 15-ton carload base and the 150 per cent loading on variable costs. Using the accepted railway costing procedures, estimates have been made of the application of the Bill No. C-120 maximum rate formula to three well established published freight rates for iron ore. Here are the results:

- (1) A shipper whose established rate is \$2.68 per net ton would be offered the protection of a maximum rate of \$18.22 per net ton.
- (2) A shipper whose established rate is \$3.70 per net ton would be offered the protection of a maximum rate of \$28.65 per net ton.
- (3) A shipper whose established rate is \$1.46 per net ton would be offered the protection of a maximum rate of \$9.12 per net ton.

Allowance has been made in these figures for the discount for heavy loading allowed by the act which amounts to 25 per cent of variable costs.

Obviously the necessity to make the calculation as if five times too many cars would be used, compounded by the excessive loading of 150 per cent, makes the theoretical protection of the maximum rates absolutely meaningless in these particular cases. It is safe to say that the same would be true in greater or lesser degree in a vast volume of bulk commodity captive traffic.

The VICE CHAIRMAN: Gentlemen, I have Mr. Cantelon first on the list for questions.

MR. CANTELON: I am very much interested in Mr. Marshall's comments on the effect of the maximum rate loading. I think that this probably opens a whole field of railway cost processes. I am particularly interested in them in relation to the rail line abandonment. It seems to me that we are faced with the fact that the board of transport commissioners, accepting the railway's cost figures, will decide whether a line should be abandoned purely on economic grounds. Am I right in thinking that you are quite in agreement with this procedure?

MR. MITCHELL: If you are speaking on the question of the abandonment of lines in item 2, I take it you are assuming that the board of transport commissioners might come to a decision based on some other cost factors that we have been speaking about. Certainly this is the way the statute appears to read at the present time; that it would be subject to the branch line abandonment authority taking the matter up and taking into consideration, as the proposed bill indicated, a series of economic factors that might certainly affect the area in which the line appears to be served. As indicated in our brief, we feel that having the board do some work, having the branch line authority pick some other facet of this, then, in addition, having the Minister of Agriculture participate—and as we see it the proposal is silent on what factors the Minister of Agriculture adds to this, or what he considers—seems to at least create a certain amount of duplication and an expensive consumption of time in order to resolve a situation, all of which can be set aside if the matter goes to the governor in council.

Our recommendation is that because the board of transport commissioners have been participating in the subject of the abandonment of railway lines as far back as the early 1930's, they represent a valuable medium by which the whole subject could be taken up under review by one body. If in the light of the thoughts conveyed in this bill the board of transport commissioners may not perhaps have been doing some things as extensively in the past as would be desired in the future, it would seem they could be readily instructed and delegated to cover other areas of examination through the medium of the proposed bill. We would see no reason why additions to their facilities, could not be readily accomplished and a better result, a more integrated and a quicker result, achieved in the examination of proposals for the abandonment of branch lines or other parts of railway lines.

MR. CANTELON: I understand that, but I think you missed the point I was trying to get at, perhaps owing to the way I phrased it. Of course, the present rationalization authority has no power to actually stop the abandonment; it can only hold it up for a period of time. It is compelled to accept the costing analysis that the board of transport commissioners suggest, and they in turn would actually be taking, I would think, the costing figures that the railway presents to them. Therefore, the sole factor governing the abandonment of that line is the costing processes that the railways apply to their decision whether it is an economic line or not. This is the point that disturbs me because it does not allow for any other factor than that. Your suggestion that there really be just one authority to do this one thing—the board of transport commissioners—still does not get away from what I consider to be a fault,



that the social background and the national need for these lines are not considered at all in the decision to abandon a line.

Mr. MITCHELL: Not apparently. I think this is right, although it is suggested that the branch line authority—and this is only in relation to fixing dates once the board of transport commissioners have said this was an uneconomic branch line and perhaps ought to be abandoned—can consider, as it says here, such things as alternative transportation facilities, a reasonable time required for adjusting the facilities, the probable effect on other lines, and the feasibility of maintaining a line on any segment as an operating line in the system of another railway; and, of course, the time element is in order to permit the realignment of organizations that are affected by the possible abandonment of the branch line. I do not think that our group would object—I rather suspect we would not—to any broader outlook, as you have mentioned, affecting the sociological problems that might be raised by the abandonment of a line.

Mr. CANTELON: You see, there is actually nothing in the bill so far that says there shall be rationalization of these lines; in order words, that there shall be an authority which would say that this line may be abandoned and this one kept in operation because it is necessary for the particular area.

Mr. MITCHELL: Except that the parts I was just touching on here, I think, come close to that, as I read them, such as the effect on nearby lines, whether they should, instead of being abandoned, be combined, and things of that kind. However, this is not in respect of whether the line should be abandoned; this decision will have already been established if the board of transport commissioners said it was an uneconomic proposition. All this does is to relate it to the time aspect; it does not influence the board's decision. If there were one body, you would perhaps not have this divided authority and divided areas of interest and there might be a better correlation of different interests. It might then be possible that the whole problem whether to abandon or not to abandon the line would not be a piecemeal operation but one that would be wrapped up, and it might then result in a different decision.

Mr. CANTELON: It might perhaps, but it still seems to me it leaves the two basic points, the one that you have emphasized and the point Mr. Marshall mentioned in commenting on the maximum rate load, namely that there are costing procedures in the railways that are not satisfactory. I am trying to make the point that there may be costing procedures in the abandonment of rail lines which might not be actually satisfactory either.

Secondly, there is really no rationalization but merely abandonment and there is no attempt to treat the matter from the over-all point of view. For instance, in my particular area this is particularly noticeable because the Canadian Pacific Railway so far has named no branch lines for abandonment so that we do not really know where we are. This is the point I am trying to make, that there is no real rationalization; there is just a policy for abandonment, not even a complete policy of abandonment.

Mr. MUIR (*Lisgar*): My questions relate to section 2 of your brief in which you are recommending that the administration be under one authority. I am wondering about this because actually under the bill the branch line authority is only a fact-finding body which recommends certain things to the board of transport commissioners which they can either accept or not accept. They, in fact, are the final authority which decides whether a line should be abandoned or should not be abandoned, if I read the bill correctly. It says, in clause 314B(3):

Where, after verification of losses by the Board of Transport Commissioners for Canada, the board finds that a branch line is not uneconomic the board shall so report to the authority; if the board finds that the



branch line is uneconomic it shall similarly so report to the authority, and approval of abandonment for the purposes of section 168 is automatic.

I would think that if we are going to have a proper administration of the national transportation policy you cannot give to the board of transport commissioners something which is not in their field. If I understand their operations properly, they deal with the financial operations of the railways by setting up a branch line authority that could look at that particular area rather than at a particular branch line, which is what the board of transport commissioners are now doing. We have had piecemeal branch lines set up and this has worked hardships. I think that if you gave the branch line authority, the proper authority to look at an area and say "We will abandon, say, 30 miles of the Canadian Pacific Railways providing we can use 25 miles of the Canadian National Railways to make these two lines into an economical operation", it would be a practical way of doing this. I do not see the board of transport commissioners doing this.

Mr. MITCHELL: Our view was that they could be charged, under a modified bill, with this particular responsibility. They could acquire, if you like, the same kind of staff which the branch line authority has—these people are going to have to come from somewhere—if it were felt that the existing personnel of the board has displayed competence in this area for the last 30 years in considering branch line problems. Incidentally, in the past, the board of transport commissioners, in considering the problem of the abandonment of lines, have not confined themselves simply to the economics of that particular line. They have in fact based themselves on a system of rationalization, taking into account specific economics and sociological situations which, admittedly, are not laid down in the existing legislation but to which, in some measure, they have paid attention. This could be laid down, we believe, and result in an integrated and correlated examination of the abandonment of these types of facilities. We fail to see how breaking this up could achieve anything when we have an organization such as the board of transport commissioners.

Incidentally, I notice that some earlier witnesses have proposed the same type of thing. I believe one of the elevator groups proposed that there should be one group. This is in essence what our association suggests, that there be a single body. We happen to hold the view that that body might well be the board of transport commissioners for the reasons that I have suggested to you.

Mr. MUIR (*Lisgar*): You do not think there could be a division of the areas of influence where one group could look at the complete national transportation policy which would integrate the various transportation systems of the country,—that would include pipe lines, trucking firms and any other means of transportation—whereas the board of transport commissioners could probably look at the financial operations of these groups? Do you not think there is any difference there?

Mr. MITCHELL: If I have interpreted you correctly, I think the question of integrating for the purpose of providing service to an area, just thinking in terms of pipe lines or even highway transport, would require some other legislative changes to make it possible. Subject to having those legislative changes, I do not think it is beyond the scope of the board of transport commissioners to administer something along this line as well as some other board or separate group. Does that answer your question?

Mr. MUIR (*Lisgar*): The bill also says that one railroad may use the facilities of the other railroad. Would you not use a stronger word than "suggest" in order to have a proper transportation system across this country? From what I have heard I do not think the Canadian National Railways and the

Canadian Pacific Railway even talk to one another, so that to suggest that the Canadian Pacific Railway carry box cars from the end of the Canadian National Railways line is probably asking for something that is unrealistic.

Mr. MITCHELL: Perhaps the word used in the proposed bill is not even as strong as "suggest". It says that for that purpose it shall have regard to all matters that appear to the authority to be relevant, without restricting the generality of the foregoing. I am not sure how you can interpret the words "shall have regard". Perhaps they can be construed as meaning that all you have to do is to think about it. However, I might say hopefully, that on reading the whole sentence in its context it might be understood to mean that they not only have to think about it but we do trust they will do something about it. They may need some other powers to implement something here.

Mr. MUIR (*Lisgar*): I am wondering if we can ever have a proper national transportation policy. Mind you, I am not in favour of taking over the Canadian Pacific Railway. I believe in free enterprise. I do think, however, that if there should be a national authority which can say to these railways, "If we are going to allow you to abandon X line and make the saving that you are making on that at the expense of the influence you are going to have on that particular community", then I think there should be an authority that can say, "but you shall use part of another railway line".

Mr. MITCHELL: I do not think this does any violence to our association's thinking. We think there should be such an authority or a body, and we suggest it be the board of transport commissioners or any other group, in order to comply with the transportation policy as indicated in the preliminary part of the proposed bill. They should be invested with such authority as might be desired and as appears necessary to implement the policy in its various areas.

Mr. FISHER: Do I take it from your last paragraph under general comments that when you say "the forthright principles expressly set forth in the national transportation policy", you refer to what is in the preamble of the bill? Do you refer to that as the national transportation policy?

Mr. MITCHELL: Yes. In clause 1 of the bill it says:

It is hereby declared that the national transportation policy of Canada is the attainment of an efficient, balanced and fully adequate transport system.

Mr. FISHER: Do you feel that there is something different in the changes from what we have had, and from what would have been generally accepted in the past?

Mr. MITCHELL: We think that it does better. Perhaps we would like to think that that is what we are hoping to attain all the time. But at least on this particular occasion we believe it is well set out, and that it is something worth while to keep in front of us.

Mr. FISHER: Has the Canadian Manufacturers Association had any open discussions or arrived at its policy with regard to combines legislation and with regard to the building up of very large organizations in private industry?

Mr. MITCHELL: You ask if the Canadian Manufacturers Association has done this?

Mr. FISHER: Yes.

Mr. MITCHELL: I do not think I would be in a position to answer that. My association or relationship with the association is simply in the area of traffic work. It might well be that other segments of the association have some interest in the areas which you mention.



Mr. FISHER: These so-called principles of national transportation policy seem to rest on the general thesis of the royal commission as an ideal to which we have been moving, by attacking the changes, and setting a situation where we have competition between competing modes of transportation. This seems to have been made a cliché by the royal commission, within competing modes.

What I find difficult to understand is that when you have a kind of vertical integration with horizontal transportation such as the Canadian Pacific Railway, and the Canadian National Railways getting into a number of transportation fields, they almost cover the spectrum except for a very limited way with the pipe lines. And even there the Canadian Pacific Railway is a major holder in some of its investments in pipe lines. You have a situation where the outstanding private carrier in this country is involved in all these modes of transportation.

This makes it very difficult for me to see how the competing modes can really come into play. It seems to me that the idea of competition is one that you must get within any mode of competition. I do not see how this works in the case of other modes. I do not see how you can attain this aim when you have a transportation company operating in a number of fields. I was wondering what the Canadian Manufacturers Association attitude was about this.

Mr. MITCHELL: I think this is related to the aspect that we have raised. I would like to ask Mr. Gray to comment on it, and I refer to the court of appeal. It is because we have some reservations that competition will do all these things. Indeed, as a matter of fact, if you were to refer to volume II of the MacPherson royal commission report you would see they actually say this. They say that in Canada competition is not necessarily completely effective.

Mr. FISHER: It seems to me that when you take note of section 6 of your brief you speak of the variety of agreed and common rates. It seems to me that you are making it practical, and that this has flowed from your suspicions.

Mr. MITCHELL: That is right. We recognize that if it were commented upon or controlled as we suggest, it might have an effect on diluting the effectiveness of truck competition even if it is there. As you know, truck competition in a great many areas is a very effective medium today.

Mr. FISHER: Yes, but it is also quite apparent that both major railways have been quite effective in moving into trucking because of their capital resources which, in the case of the Canadian National Railways, are almost unlimited. The trend could go on in a remarkable way. I do not know if everybody is aware of the fact that I have met a number of truckers who seem to be almost waiting for the next bid from the railways. That was why I was wondering about the value of this competing mode argument. I wondered if the Canadian Manufacturers Association had ever considered that it might be better to advocate a separation of ownership, so that the ownership would be confined within one of the modes.

Mr. MITCHELL: We subscribe to a railway or any transportation organization for the purpose of a transportation job using whatever facilities it has or it may acquire, or that it may build or create. We think that competition is something highly effective. It happens that a great many rates today are based exactly on the efficiency of the trucking companies to compete. But we do not think that in this country it is a cure-all; hence our comment that at some point of time, while wishing the railways to keep as much freedom as possible, we should have a court of appeal, just because we cannot be sure.

Mr. FISHER: In other words, despite your faith in competition in transportation, and in a national transportation policy, like many other organizations you want to have a strong regulatory or examining authority in the field?



Mr. MITCHELL: To the extent that something gets out of hand that is prejudicially unfair and discriminatory, we want to have a policeman on the corner. We want to have somebody to go to talk to who is an arbitrator or mediator, or someone who will listen and perhaps see the situation more objectively, because the other two parties are highly interested ones. They might get emotional, or something like that. I wonder if Mr. Gray has something to add.

Mr. W. J. GRAY (*Member of the Transportation Committee, Canadian Manufacturers Association*): Please carry on. Your answer is quite all right to the particular question.

Mr. FISHER: You are aware that the royal commission report suggests the setting up of a national transportation authority which would be detached from the board of transport commissioners in its work as a policy making group. Did you consider at all making a recommendation or a comment on that part of the royal commission report?

Mr. MITCHELL: Yes. This has been talked about, but we have taken no action.

Mr. FISHER: Is it fair to ask you why you decided to let it go?

Mr. MITCHELL: We were merely concentrating as far as this group before you is concerned on the essentials of the proposed bill, Bill No. C-120.

Mr. FISHER: It seems to me this is a very important point that your organization has. Some of us are critical of the bill for failing to carry out what we consider to be the main recommendation of the royal commission. It is important for us to know what an organization of your strength feels about that particular part. It seems to me that the bill—and I am speaking somewhat critically—is an inadequate crystallization of what was in the minds of the royal commissioners just on that particular point.

Mr. MITCHELL: We did realize that as far as it went it did not encompass all the recommendations of the royal commission. But I cannot answer your question about how far we have thought. We have given it some thought, but at the moment we have concentrated simply on the bill. We recognize that there are some areas which are not covered. Within the bounds of probability, in the process of time, the Canadian Manufacturers Association may well be given consideration to those other areas, and we may be making appropriate recommendations at the proper time.

Mr. FISHER: It seems to me—and this may be just my own impression—the government has intimated that it will be bringing in a much revised bill which will properly reflect some of the suggestions being put forward.

Mr. A. R. TRELOAR (*Manager, Transportation Department, Canadian Manufacturers Association*): Perhaps I might clarify the position of the association in this respect. It is simply that when this bill was introduced, the Minister of Transport indicated in the house that this bill would not give effect to all the recommendations of the royal commission, and that the bill would keep certain features in reserve and would not deal with transportation by motor truck and other matters which appeared in the report. So we felt that it would be somewhat premature if we tried to jump the gun. We thought it preferable to let the government decide what should be in this bill, and we are willing to wait until it brings forth its proposals, at which time we will comment on them.

Mr. FISHER: Let us say that there are negative sections to this bill which affect to quite an extent the area which I represent. I refer to the bridge subsidy, and the fact there was a recommendation that it be abolished. It has been abolished, and this bill has some effect on the shippers in that region, particularly between Sudbury and Kenora, and particularly north of the line

of the Canadian National Railways, and a little less so to the south of that line. You have the comment that you feel that the decision to abolish the bridge subsidy ties in with the purposes of the national transportation policy as set out. I am curious to know whether you received representations from that area from some of your members about what effect this might have on their position.

Mr. TRELOAR: Oh, yes, we have had communications from various parts of our organization. You can easily see that our members in British Columbia would desire to ship into the prairies in competition with a man in the east, and that they are delighted to get rid of the bridge subsidy. Therefore, if you have a split division within your organization, you are not the most impartial party to advance their views.

Mr. FISHER: That is a good explanation. In terms of the captive area, you have a recommendation which interests me, because it will offer some protection. I would like to ask the gentleman who gave us the rates on iron ore whether he had any practical discussions with shippers such as Inland Steel or Steep Rock Iron Ore, which is shipping to Vancouver from the lake head?

Mr. MARSHALL: I am not quite sure how broad your question is.

Mr. FISHER: You gave us an indication through some iron ore rates of what would be the consequence and effects of the formula set up to determine what the charges should be. Does this tie in with some actual rates which are in existence at the present time?

Mr. MARSHALL: Oh, yes. The rates which I cited were all published rates which have been in effect for some time. The costing which was done was simply to apply the formula of Bill No. C-120 to the same existing rates to compare the maximum rates with the existing rates. But they are all well established rates.

Mr. FISHER: Let me give you an example which has developed over the years. I refer to a dispute which has gone on between Steep Rock Iron and the Canadian National Railways. Steep Rock at one time even talked about building their line down through the United States to water. There have been all kinds of arguments and pressures developed in the case of Steep Rock, who always argued that they had to regard their condition vis-à-vis the American shippers in the matter of truck competition. Did you consider at all that one of the criteria which might be considered would be competitive rates on the other side of the border as a factor in determining what we should charge?

Mr. MARSHALL: Well, that was not taken into consideration in this particular case. It is true though that there would be some cases where competitive rates south of the border might be effective competition; and there are cases—but not too many—because of the longer routing, which would apply in many instances between two border points, which might be practical, but in a great many instances it would not represent practical competition.

Mr. FISHER: In terms of a captured area, and the problems of a captured shipper, this particularly applies to the shipping of bulk commodities such as iron ore, lumber, pulpwood, and things like that. I like your recommendations but they seem in a sense to be very brief and very general. I wondered if you could possibly at some future time provide this committee with some more examples to reinforce the arguments put forward. This is one of the things which is of great concern to an area which has in a sense a great deal of captive traffic, and it is vital. I am glad you are attacking the formula, but I would like to see a more detailed case presented. It seems to me that you have the kind of organization that has the best resources to do this.



Mr. MARSHALL: I think some detailed information could be given to the committee. I am sure that there are many other examples. These just happened to be three of them. I am sure there is more information available.

Mr. FISHER: Did you find that there was considerable concern about particular sections of the bill among your members?

Mr. MARSHALL: Yes, primarily.

Mr. FISHER: Has there ever been any discussion or consideration by your association at any of its meetings concerning the question of the subsidies structure built into this new bill? I notice in effect you have much comment on the bill on what is one of the most criticized aspects, and that is the very large scale subsidies which have been injected into it, over \$100 million, by some people over the next number of years.

Mr. TRELOAR: When you mention \$100 million, I can only assume that you mean all the subsidies.

Mr. FISHER: Yes, piled all up.

Mr. TRELOAR: We recognize that this is in accordance with the principle of the national transportation policy. If we are going to require a carrier to provide a service which is going to involve a loss, then we are going to have to reimburse him if we insist upon his providing that service at a statutory rate level.

Mr. FISHER: You recognize that this shoots holes completely in the whole idea of a national transportation policy having in view a normal competitive set-up.

Mr. TRELOAR: I do not feel that it would follow if you are going to pursue a policy that would leave various forms of transportation without restraint. You certainly will not get such a situation, where a carrier, knows that he is performing a service at less than cost. He is not getting a new dollar for an old dollar in that respect. But we are fully in agreement that competition is the sole factor in determining or getting the most efficient allocation of our resources, and we think that principle should be carried out right through.

Mr. FISHER: It breaks down in a number of cases because it just is not practical in terms of general policy, such as in the case of the Maritime Freight Rates Act, and situations like that.

Mr. TRELOAR: Yes, we recognize that that is part of the national policy, and we recognize why it was one of the terms of their coming into confederation. But this has to be put into a separate class. You have to give something to each part of the country.

Mr. FISHER: You have consideration for the captive shipper, where he needs some kind of assistance?

Mr. TRELOAR: Yes.

Mr. FISHER: And you know of special situations in regard to rail abandonment because of the social problems, and with regard to wheat raisers, because of the particular and additional protection offered them by the Crowsnest pass rates. But when you add up all these things, where are you left in terms of the ideal picture of competition and of competing modes? It would seem to me to enforce the idea that you have to have continual appraisal going on all the time to review changes in national transportation, and that there should be a policy making group looking at the whole picture.

Mr. TRELOAR: In the past the railways have taken, as you know, past usage as an instrument of national policy in the rate structures and in the matter of providing rates. In the generation in which they operated at that time this was a phenomenon. This means cross-subsidization from one service to another across the system. As long as this could be carried on within a



semimonopolistic situation, we were agreeable to it, but it was an unbearable burden on the freightpayers.

Then with competition coming into the picture, and the freightpayer in addition having to bear his contribution to overhead on this unprofitable traffic which was carried because of national policy, it meant that the rates were raised very high because of the deficits incurred on the passenger system and all the rest of it. Then the railways said that they could not get the traffic. Then other means of transportation came in and walked away with the traffic under this umbrella. So you have to have a new policy which is based on competition. If we start with a transportation policy which will carry the traffic at a price which will suit the shipper, then others will have to follow it.

Mr. FISHER: The whole policy is severely limited by these other factors that you mentioned.

Mr. TRELOAR: Yes. These items, as you say, have had an effect on national policy, and you have to take care of them in some way or other. That is true.

Mr. FISHER: Has this analysis that arises from the policy aspect of the bill led you to make any decision, or to make any comment on the financial position of the private company within the field, such as that of the Canadian Pacific Railway, in relation to asking for separation, let us say, of its railway functions from its mining or investment holding functions, in order to give the transportation authority a clearer picture of what is profitable, or what should be the real rate situation? I bring this up because in essence I wonder whether the situation of the Canadian Pacific Railway, with its great number of other interests, does not confuse the picture on the railway side of its operations.

Mr. TRELOAR: In response to this we felt that this particular situation would be adequately taken care of under the provisions of this proposed bill which directed the board in respect of the classification of accounts, and the different functions performed by the railways, so that they would be stated separately. We felt that they would not be able to combine and subsidize one part of their corporation from the earnings of another part of their corporation, let us say.

Mr. FISHER: That makes sense from the point of view of the rate part, but it does not make sense in terms of the complete financial picture, let us say, of the Canadian Pacific Railway which is a private situation, and I refer to the price of its shares. I am curious about the fact that ever since this bill came out in detail the price of Canadian Pacific Railway shares has been going up. There may be other factors involved in it, but one is led to the conclusion that this looks like a pretty nice package for the Canadian Pacific Railway as a corporation. I wonder.

I am thinking about it from the point of view of a shareholder. I admit that the way in which you approach it, from the point of view of a shipper, or of that of a company shipping goods, gives you a clearer basis. But what about these other factors. When the payments come in, and when the subsidies come in from these other sections, it seems that they are very valuable to the company and not just to its railway operations.

Mr. TRELOAR: Actually we did not regard it in that way, or we would have bought some of their stock.

The VICE CHAIRMAN: I have Mr. Southam, Mr. Millar, Mr. Muir, and Mr. Stewart.

Mr. MILLAR: In line with Mr. Fisher's questioning I would like to ask Mr. Treloar if his association would suggest that the subsidy which is put in should be shifted from the freightpayer on to the taxpayer as a general government subsidy?

Mr. TRELOAR: That is what it amounts to.

Mr. MILLAR: Is it not a fact that the taxpayer is now paying the freight rates, as you people all know? It is the same "guy" is it not, regardless of where he ships it?

Mr. TRELOAR: That is true. But what is proposed in this bill has the advantage of being only a temporary situation in respect of most of these subsidies. In five years we shall start to get to the end of the road.

Mr. MILLAR: That is cheerful thinking, and I will go along with it.

The VICE CHAIRMAN: Now, Mr. Southam.

Mr. SOUTHAM: First I would like to compliment the Canadian Manufacturers Association for their very brief and concise submission to the committee this morning. But that does not mean that I agree with all their observations. I feel for instance by way of general comment that you should really attempt to meet the problems of the railroads themselves. My remarks will be brief because Mr. Muir, Mr. Cantelon, and Mr. Fisher have pretty well covered the waterfront here. I do appreciate the forthright answers you have given to Mr. Fisher. I feel that the whole problem before the committee of course is based on the recommendations contained in the report of the MacPherson royal commission. Naturally there is some reservation on the problem of freight rates, and there is a larger section on our pipe lines. I am thinking particularly of western Canada, where we are concerned with some of the provisions of the bill. I notice that you put quite a little emphasis upon captive freight rates, and methods of accounting. May I ask Mr. Marshall if it is his opinion that these cost accounting formulae are properly related to this whole problem, or should we go into it a little more thoroughly? I have been listening to witnesses from several other interested groups who have presented briefs to our committee and this seems to be one of the general topics of discussion, whether the criteria used in the cost accounting formula are right.

Secondly, I notice in the last paragraph of section 2 in your brief you say:

The branch line rationalization authority, the board of transport commissioners and the Minister of Agriculture, as well as provision for an appeal to the governor in council, unduly complicate the processing of such applications and would involve delays and additional expense by presenting opportunities for extending such proceedings over a period of years.

I agree with this. I think this is one of weaknesses of the bill, that we pay lip service to this authority you referred to which we all agree should be in this legislation, but under the present bill this rationalization authority has not got sufficient authority to make recommendations that we feel should be made. On the other hand I agree with you there should not be a number of bodies.

Would you suggest that the board of transport commissioners should be enlarged? This is not a critical comment of the present board. This board has, over a period of years, until this problem has become acute, done an excellent job, but during the course of processing various applications and arbitrating between railroads and the general public as far as the rail line abandonment is concerned, they have set a pattern, and possibly their hands would be tied if you just left them with no more authority. Should we enlarge this body?

You mentioned the Minister of Agriculture. I am not sure the Department of Agriculture would be the right department. I feel here that the Department of Transport should be the department most interested here. I realize the interests of the Department of Agriculture in this matter and that it should



have a lot to say on the subject of the rationalization authority. What would you suggest would be the proper division of authority?

Mr. MITCHELL: I believe I have attempted to answer that question when I was answering a question from a member on this side of the room. If, as the result of the representations made before this committee by this association and others, that you will be hearing from, a set of criteria is established and if, in the implementation of this criteria, the present board of transport commissioners organization is efficient, we feel that this could be very readily supplemented where necessary by additional competent staff from whatever source to enable them to do an over-all job which, we suggest, is better done by one body than by the several people who participate in the decisions, as the proposed legislation suggests. Before we see the language of the new statute and look closely at the organization of the board of transport commissioners it is difficult to say that they have not got the tools, the people and the organization to handle this. However, to the extent that it could be determined that they do not, we do not envisage there would be a real problem in augmenting the board to do the job properly.

Mr. SOUTHAM: Up to the present time the board of transport commissioners have been almost autonomous or supreme so that the only appeal which you could make would be to the governor in council. This has been done on various occasions, although it was rarely done, and when it has been done, in most cases the governor in council has left the decision to the board of transport commissioners. Do you think there should be some further enlargement of this privilege to appeal a decision, the final authority to be the rationalization authority of the board of transport commissioners?

Mr. MITCHELL: Perhaps it should be left, as is presently shown here, to the governor in council. We have suggested that there should be an appeal to a tribunal. In this case we recommended the board. Should the railways have complete freedom to set rates we feel we would like to talk to someone else. If a board, were it the board of transport commissioners or someone else, were set up to look at the rationalization of rail lines, this would not preclude a further appeal to the governor in council. I think this would depend, to a large extent, on whatever the new statute said, what criteria it set out and how broad it was. This would set the stage for the real need of an appeal or lack of it as the situation was determined. I do not think that if there was a single board, as we recommend, this would preclude a final examination by, let us say, the governor in council.

Mr. SOUTHAM: I would go along with that. Most of the western members have felt that the present legislation under Bill No. C-120 was stacked in favour of the railroads. I have been under the impression that in your comments regarding the captive freight rates there was some query in your mind whether this formula of cost accounting was proper, and that you felt there should be broader terms and more representation on this committee to get the various points of view. I agree with you that this over-all authority should be single but that it should have wider powers and more authority to make these decisions.

What is your answer to my first question? Are you in favour of the present criteria that the railroads used by and large in presenting their case as they did, say, before the MacPherson royal commission, or do you think that this formula might have been favouring the railroads and not the general public?

Mr. MITCHELL: You are speaking about their costing formula I understand. I am sorry, we did not examine that. This is a rather involved matter. In general, the board of transport commissioners, when considering the general rate cases that have come before it, have been able to comment and to look at the railway



costing processes much more effectively than a group or an association such as we are.

Mr. SOUTHAM: This has been the basis of a lot of comment in the previous testimony. I wanted to hear what you think of this.

Mr. MARSHALL: Perhaps I might clarify this matter if what you referred to was the information I gave. I should make it clear that costing by the railway had no part in any of the comments that I made. It did not, to the best of my knowledge, enter into our analysis of the formula of Bill No. C-120.

The VICE CHAIRMAN: What Mr. Southam meant, I think, was that there were references in other briefs to how the railways arrive at the cost of abandonment of lines. He did not refer to your brief.

Mr. SOUTHAM: I am putting you people in the same position as the people who represent a wide section of our population, particularly the manufacturers. Mr. Fisher has brought out the point that it would be interesting to examine the formula which the railroads had presented to the MacPherson commission which has a bearing on the over-all picture. When you see the Canadian Pacific Railways stocks going up, it appears that they are not losing too much money under the present set-up. I do not say we should not have rail line abandonments, but it has to be done on a rationalized basis. According to the present bill this rationalization authority does not satisfy the interests of Canada. I wondered how you felt about it.

Mr. TRELOAR: The opposing parties, whether they be farm unions or others, should have an opportunity to appear before the board to put forth their views on the formula to be used in determining whether this portion of the railway is actually being operated at a loss or not. I think you will appreciate there is no standard definition by economists of what particular costs should be used in different situations. I think you will readily appreciate that the formula they use for determining maximum rates would be entirely different to what they would use in case of abandonment. When you are determining costs with respect to maximum rates you are dealing with a long term condition; it is an element of time. You get different costs the more you lengthen that time. Therefore, as I say, I think we are all in perfect agreement that there should be a specific provision in this bill giving an opportunity to the various interested parties to appear before the board and to present their case regarding what costs should be taken into consideration.

Mr. MILLAR: I would like to refer my question to Mr. Marshall. When you were discussing captive freight rates you used the figure of 15 ton loading as against 70 ton loading. Are you not using two extremes and is not a 70 ton loaded car unusual? I am thinking of general freight, not in reference to iron ore. Are you using iron ore in reference to your own particular case as well?

Mr. MARSHALL: I think our brief states that a good deal of captive traffic is in the form of bulk material, and certainly a 70 ton car is not at all unusual. Car loadings can go up to 100 tons for this type of loading. Seventy tons may not be the average, but certainly the tendency is to much larger cars, particularly if they are going to be loaded with as much weight per car as possible.

Mr. MILLAR: But does this formula not also apply to other types of merchandise? Captive shipper really only refers to somebody in an area who can only use the railroads. Is my interpretation correct?

Mr. TRELOAR: I do not think that is the intention of the bill at all, and certainly it was not the intention of the royal commission. The reason why the commission developed this formula is to outline more clearly what is an effective rate.

Mr. MILLAR: What is a captive shipper?

Mr. TRELOAR: A captive shipper is anybody, in any section of the country, whose traffic is of such a character that it is uneconomical to move it by any other form of transportation than by rail.

Mr. MILLAR: This is essentially what I understood a captive shipper to be. Therefore, why should a 70 ton figure be used in criticizing these rates? It might be a 20 ton load.

Mr. MARSHALL: I think, Mr. Millar, I have qualified what I said by saying that the formula could work in certain cases where a 15 ton load was average for that particular traffic, but the examples I gave were of the other type of loads. Our brief states that a good deal of captive traffic is of this heavy loading type, so that specifically the formula will not work by a very wide margin for this type of traffic. The formula will therefore not cover the whole field.

Mr. MILLAR: What you are objecting to is a 15 ton load formula applying to a 70 ton load. Is that right?

Mr. MARSHALL: Yes.

Mr. MILLAR: I have a couple of other items on which I would like to question you. On page 6, section 8 of your brief you say:

The proposed legislation does not contain any amendment to the railway act implementing national transportation policy with respect to the obligation on the railways to provide free transportation to certain members of society, currently imposed under section 351.

I presume you gentlemen are aware that each member of the House of Commons carries a free railroad pass in his pocket. I see there is no comment. We feel that all we are doing is cutting down the subsidy which the government gives to the railroads each year.

That is all I had to say, except that I would like to suggest to the delegation that they opened a large field of discussion when they made this reference to rail line abandonment. The delegation will probably appreciate our position much better if they stay to hear the brief of the next delegation.

The VICE CHAIRMAN: I was going to mention that we still have with us a delegation from the Branch Lines Association of Manitoba. It is a quarter to twelve. Usually we adjourn at 12.30. However, I thought that if there are not too many questions left, we could hear the presentation of the brief from the Branch Lines Association of Manitoba and then this afternoon we could proceed with the questioning. It is not a very long brief.

Mr. MUIR (*Lisgar*): Mine is a very short question, Mr. Chairman, as a matter of fact it is for clarification. Mr. Mitchell, when you and I were speaking we were using different words. I have now found the right section of the bill to which I referred, and I believe you were using words out of the royal commission's report. I would like to ask you a question in this regard. I am going to read a very short paragraph from the bill in connection with the word "recommend" which I used. It appears in page 9 of the bill, clause 314D(1).

In the exercise of its duties under section 314C the authority may recommend to railway companies the exchange of branch lines between companies by lease, purchase or otherwise, the giving or exchanging between companies of operating rights or running rights over branch lines or other lines of railway, and the connecting of branch lines thereof with other lines of the company or another company.

My question is this: Do you consider this particular clause in the bill to be broad enough to bring about a proper national transportation policy?

Mr. MITCHELL: Do you mean the word "recommend" is hardly strong enough?

Mr. MUIR (*Lisgar*): Yes, because if you are only going to recommend and the recommendations are not taken into consideration, then I think the purpose would be defeated. Would you agree with that?

Mr. MITCHELL: Let me say that it could be defeated. We have considered at different times whether we should make changes in wording in some instances, and we have refrained from doing this. This would take us out of the traffic field and into the field of the legislator. We felt we should express our various points of view. I would presume that as the result of this hearing the mere recording of this exchange between us, Mr. Muir, raises the point. We are talking about the subject matter of the bill and to that extent the drafters of the bill would take cognizance of this and consider whether or not the word "recommend" was adequate or suitable and if there are any teeth elsewhere in the bill to implement such a recommendation.

Mr. MUIR (*Lisgar*): That is the reason I brought it up.

Mr. STEWART: I will not detain the committee long. We have before us a brief that is very terse; it will serve the requirements of a brief.

I would like to ask if I am correct in assuming that the Canadian Manufacturers Association includes within its membership manufacturers in the maritime provinces of Canada.

Mr. MITCHELL: Yes, it does.

Mr. STEWART: Then I would like to ask if the maritime shippers having loading commodities have made representations through the procedures and processes of your association concerning the proposed railway legislation.

Mr. TRELOAR: No, we have had no specific representations from the maritime members. I think it is generally known that maritime shippers rely primarily on the maritimes transportation commission to present their coordinated views as the views of the Atlantic provinces.

Mr. STEWART: Earlier Mr. Treloar made reference to the confederation agreement and the Maritimes Freight Rates Act. I would like to ask if the representatives of the Canadian Manufacturers Association think that the payments now made under that statute are to a reasonable degree fulfilling the purposes set forth in the Duncan commission report as embodied in the 1927 act.

Mr. TRELOAR: The only way I could answer you, Mr. Stewart, would be to say that agreements which are being made under that statute are in accordance with the purposes of the enactment of that statute, but owing to conditions which cannot be controlled by statute or anything else they are not working as effectively as they did when that statute was enacted.

Mr. STEWART: It is sometimes said, Mr. Chairman, that the temporary effect of the act is really to provide a subsidy to the railway rather than assistance to the maritime shipper. Do you agree substantially with that analysis?

Mr. TRELOAR: I think it is working out in favour of the railways today inasmuch as there is competition introduced into the situation under the current conditions and you are not getting the effective use of truck competition that you would if you did not have such a statute.

Mr. STEWART: In other words you think the maritimes would be better off if the Maritimes Freight Rates Act were repealed so as to allow truckers to compete equally with the railroads. Would you agree with that?

Mr. TRELOAR: Absolutely.

Mr. STEWART: Would you agree with that on behalf of the Canadian Manufacturers Association?



Mr. TRELOAR: My answer would be that if you give a subsidy to one form of transportation to meet certain conditions, then, if you wish to enable a new form of transportation to develop properly, you have to give it an equal subsidy.

Mr. STEWART: Then your answer is that you are proposing subsidies for the trucking companies within the maritime provinces.

Mr. TRELOAR: Not within the maritime provinces; I was speaking of out-bound traffic.

Mr. STEWART: All right, you are proposing that outbound trucking companies should have a comparable subsidy. Is that correct?

Mr. TRELOAR: Yes.

Mr. FORBES: I have one brief question on clause 2. I know you have endeavoured to answer this question this morning but it is not quite clear in my mind. Could I suggest to you a question by a supposition? Supposing there was an application for the abandonment of one of those branch lines on this map and the rationalization board said "no abandonment". Supposing then the board of transport commissioners came along and established a compensatory rate for the railways which would make it prohibitive as far as the shipper was concerned. Is this your reason for the recommendation?

Mr. MITCHELL: I am not sure that all is as you said. If there was no abandonment recommended, I do not think this would affect the rates because the board is merely there to determine the actual losses. As we read clause 314B(1)(a) it is said, "If the board is not satisfied, on the basis of the actual losses and such other factors as in its opinion are relevant, that the line is uneconomic, the board shall report the same to the authority".

Therefore, a new action would be taken. They would be speaking about the line as we see it at this point in time. Presumably the rates in effect at that time are contributing sufficiently to the welfare of the railways so that the branch line might not be abandoned because it is, shall we say loosely, paying its way. I do not think this necessarily brings in its wake an increase in rate.

Mr. FORBES: I hope they will not look at it from the point of view of loss or profit to the railway but from the point of view of the economic position of the service in regard to the community. This is where they will decide not to propose an abandonment and the railway will say "We will take a loss on this operation, so we must have an increased rate". I thought this was the idea you had behind this recommendation.

Mr. MITCHELL: I do not think so.

The VICE CHAIRMAN: Gentlemen, I want to thank Mr. Mitchell and the members of his delegation of the Canadian Manufacturers Association for being with us this morning. Again we apologize for delaying you an extra half hour. I think I can express the feeling of the committee in telling you of our appreciation for, as Mr. Stewart said, a very terse, concise and factual brief.

Mr. MUIR (*Lisgar*): Mr. Chairman, having regard to the fact that this is a long brief, would it not be just as well to have it read at a subsequent meeting so that we could then go right into it?

The VICE CHAIRMAN: It is not a long brief. I think it would be faster to get it read now. We usually adjourn at 12.30, and it could be read in less than half an hour. I think this would leave us more time this afternoon, because of the question period in the house, and the fact that we do not usually get started at 3.30. Sometimes it is after four o'clock. If we had the brief read now, it would then give us some time to study it and prepare for our questioning on it this afternoon.

Mr. MUIR (*Lisgar*): Very well.

The VICE CHAIRMAN: We have with us Mr. Gregor Jamieson, who is vice president of the Branch Lines Association of Manitoba. He will introduce his delegation.

Mr. GREGOR JAMIESON (*Vice President, Branch Lines Association of Manitoba*): Mr. Chairman and members of the committee, at the outset I would like on behalf of the farmers and rural people of Manitoba to express our appreciation for the opportunity to present this short brief to you this morning. The members of our delegation, Mr. Chairman and gentlemen, are Mr. Bruce MacKenzie, the Reeve of the Municipality of Morris, which is south of Winnipeg; and next to him is Mr. D. F. Rose, past president of the union of municipalities and presently a member of the executive of the Branch Lines Association of Manitoba; and sitting to my extreme right is Mr. Allan Scarth, Q.C., solicitor for our association.

Now, just a word of explanation: you will notice in the first sentence of our brief that it was to be presented by the president, Mr. Remi De Pape. I am sorry to say that he cannot be with us today because of illness in his family. So it falls to my luck to make this presentation for him. We would like to have Mr. De Pape with us because he is not only bilingual, but also trilingual. Some people might have appreciated this fact. I shall be presenting this brief on his behalf and on behalf of the Branch Lines Association of Manitoba.

#### How the association was formed

In 1963, when the danger of the wholesale abandonment applications by the railways began to be recognized in the farming communities, local branch line associations sprang up throughout the agricultural areas of Manitoba. A total of 20 local associations have been formed. Their locations are shown on the map filed with this brief (the associations are indicated by a red dot).

I hope the members of your committee have seen the map which is reproduced on the final page of the brief. The red dots outline the coverage we have in Manitoba in this branch line association.

The Branch Lines Association of Manitoba was formed by these local groups to provide a central clearing house for information and technical advice to its members.

The Union of Manitoba Municipalities, the Manitoba farmers' organizations and the elevator companies are all affiliated with our central branch line association.

#### Farmers and Farm Communities affected

The concern which has caused farmers all over Manitoba to band into local associations is hardly surprising. They are faced with applications for abandonment of over 1,000 miles of branch lines in the province. On these lines are 95 towns and villages, populated by approximately 16,500 people.

More than 9,000 farm units are delivering some 20,000,000 bushels of grain to elevators on the branch lines covered by these applications. All of these farm families stand in the shadow of the abandonment applications. (The lines which the railways have applied to abandon are shown in red on the map).

#### Purpose of Brief

Most of the affiliated members of the association will be making their own submission before this committee. However, the executive of the association considered that it might be useful for the committee to know the reaction of various of its members to the abandonment procedure used in the past. The experience of those directly affected by this procedure may be of assistance when the committee is considering the new legislation.

### Past Experience with Abandonment applications

Many members of the local associations were directly affected by the series of branch line abandonment applications heard by the board of transport commissioners in the past five years. The whole countryside was stirred up by these applications. The halls where the hearings were held were filled to "standing room only". While the hearings continued, farmers got up before dawn to do their chores so that they could start what was often a two hour drive to the city of Brandon where hearings were held.

And this is a very concise or wide range of time, because some of these people, I am sure, spent longer than that.

All farmers and many of the townspeople served by the branch lines under attack had been personally interviewed and had contributed statistical information. A substantial number of farmers, municipal officials and businessmen gave evidence of the loss which would result from abandonment, from which the aggregate damage could be calculated. Everyone in the area was fully aware of the issues.

In the course of the hearings, all of these men learned what it was to be faced with a maze of railway cost figures and a platoon of railway experts concentrated on proving the railways' dollars and cents loss.

What disturbed our members was that the procedure did not seem to be aimed at working out a common sense, efficient and cheap rail system to carry the farmers' grain to market and serve the communities in the area.

This brief describes the main defects which these men have seen in the old branch line abandonment procedure, and which they think must be cured in a new bill.

### The Board wears blinkers

When the most recent series of hearings began in 1960, most of the farmers affected were seeing the procedures for the first time. There had been no branch line hearings in these areas since before world war II.

The first and most lasting shock was that the board of transport commissioners considered itself bound to look at one line at a time, and to look only at that line. It was as if the board was fitted with blinkers which kept it from looking at the whole area and figuring which lines would best serve the farmers and the rural communities involved.

This placed the farmers in an impossible position when they were trying to decide what abandonment would cost them. At each hearing they were requested to work out the cost of hauling their grain to the next nearest alternate line. When they asked whether the next nearest line would be permanent, they always got the same answer:—The next nearest line was run by the other railway company and the Board was not considering that line at the moment.

To move hundreds of thousands of bushels of grain to a different and more distant rail line means more storage, bigger trucking equipment, more and better roads, and new elevator facilities. The farmers all expected that if their own branch line was to be torn up and they made all these costly changes and the necessary new facilities were built, the board would assure them some permanence for the alternate line. But the board did not consider it could look at the alternate line. The officers of the other railway were not even called into the hearing.

An example of this kind of thing was the Hallboro-Beulah line (as indicated on map).

Mr. ALLAN SCARTH, Q.C. (*Solicitor for the Branch Lines Association of Manitoba*): It begins at Hallboro and runs to Beulah. It is shown on the map in red.

Mr. JAMIESON: This C.N.R. line runs parallel to C.P.R. lines to the north and south. The farmers and other residents on the Hallboro-Beulah line were at a loss to know where they were supposed to go to find a line that was



permanent. How could they figure their costs unless all the lines in the area were looked at together and the most efficient system was worked out.

The Hallboro-Beulah application was rejected by the board of transport commissioners, but the C.P.R. then applied to abandon one of the parallel lines, and the same blinkers procedure was run through again.

Mr. SCARTH: This is the Varcoe to MacGregor line, gentlemen.

Mr. JAMIESON: In some cases it seemed obvious to every farmer on the line how the railways could sit down together and work out a common sense rail service. Take the MacGregor-Varcoe line for example (as indicated on map). The east half of this 60 mile C.P.R. line runs through unproductive country. The west half carries a heavy load of grain, and a large number of elevators and thriving communities have been built along it over the years.

This is known as the Carberry sand hill. It is sandy land. It grows a little bush, but up to date it has never yielded one five cent piece of production. One half of this line runs through that sort of area. I suppose it was built in competition between the railroads. It was just to service the area. But the other 30 miles of this line run through what, in my opinion, is one of the most productive grain areas in Manitoba.

Everybody could see that while the east half could be scrapped, the west half was a valuable part of the grain gathering system.

Running north and south was what looked to everybody to be the solution to the problem—a C.N.R. line crossing this branch line and intersecting with the main C.P.R. line 13 miles to the south.

Everyone expected that the two railways would get together on this problem and agree that the abandonment of the east half of the Varcoe line would be applied for and the C.P.R. would run its grain off the east end of the line and south on the Canadian National line 13 miles or so to the main C.P.R. line. All that was required was a switch and a running rights agreement.

You can imagine the surprise in the community when the C.P.R. applied to abandon the entire line. Farmers immediately suggested the obvious solution. They were even more surprised when they got to the hearing and discovered that the C.P.R. had not even talked to the C.N.R. about using the 13 miles connecting track to solve the problem.

At the hearing, the board as before was able to consider the one line only, rather than the whole area. As a result, it looked as if this thriving farm region might lose its essential 30 miles of track because in the rush of pioneer rail construction the other 30 miles was laid in what turned out to be barren country.

Fortunately, all proceedings were suspended in this case when it was announced that new rail legislation would be put forward. It is the earnest hope and expectation of the hundreds of citizens along this line that the new legislation will permit the obvious common sense solution to be worked out.

Mr. SCARTH: This is the MacGregor-Varcoe line we were talking about. It is a Canadian Pacific line. There is a Canadian Pacific line connecting down here. The unproductive country that Mr. Jamieson speaks of is here. These 30 miles are unused as far as deliveries go. This is Canadian Pacific, and this is Canadian National, and it goes down here and intersects with the Canadian Pacific. The solution offered by people in the area as being logical is to run the grain off the end of this line here down to the Canadian National Railways cut-off and on to the Canadian Pacific line to the east. The grain of course moves from this area east to the lake head.

Mr. JAMIESON: I continue:

#### Railway costs

Even those who went to every hearing had a hard time keeping up with the different forms in which the railways presented their costs. The feeling was

that railway costs should be presented in the same form each time. It was also felt that the items that go into these cost statements should be settled ahead of time, at a hearing where the experts can give evidence, and cost formulas can be worked out.

Some of the cost items put forward in the past few years didn't make sense to the farmers, but they didn't feel competent to criticize them.

For example, one of the biggest items which turned up on one of the railway's loss statements in 1962 was "cost of money". This was a fixed percentage of over 11 per cent on the money the railways claimed to have tied up in rails, ties and so on. The important point was that this percentage was calculated not on depreciated value but on the current appraised value of the track, no matter what the railway paid for it. It hardly seemed fair that the railway should charge "cost of money" on money it had never put out.

This is the Varcoe-MacGregor line which was built in the late 1800's; and on the same sheet they took the depreciation cost, and in addition the cost of the money in the accounting.

By this means the railway could get permission to pull out a section of track that might have cost it little or nothing years ago, simply because the price of steel had gone up and the railway could make a windfall profit on the salvage. Under this system, abandonment depended on the price of scrap in Japan.

Right alongside this "cost of money" item in the railway "loss account" was an item for depreciation which I mentioned on the very same track. The users of the line would thus be charged full depreciation on the track over a period of 30 years or so, and all through this period the railway would also be charging "cost of money" of over 11 per cent on current resale value of the track. If second-hand rail prices rose during the period (as they have done due to inflation and demand for steel) the original cost of the track might be charged over and over again to the "loss account" for the line. A large part of this charge would be for "cost of money" on money the railway never invested in the first place.

On the farm, equipment is only charged for once, and this kind of figuring convinced the farmers that somebody should take a hard look at railway cost figures.

The new authority must have real authority

It is now generally known in the country that the government proposes to create a branch line rationalization authority. This is a real step ahead if—and it is a big "if"—this authority has enough power to make it mean something.

Our members believe that this authority must be able to look at each area in Manitoba where one or more abandonments are applied for, and see whether the line in question can form part of an efficient grain handling system to serve the area.

The suggestion that the authority's powers should be confined to deferring the abandonment of particular lines does not appeal to those who are to be operated upon. One man likened this system to an anaesthetic to postpone the pain—but essential limbs would still be amputated.

If the authority finds it in the public interest to keep a line, or to keep a piece of a line, as part of an efficient rail grid, it should have power to so order. If a piece of a line—as in the MacGregor-Varcoe example—can be done without, the authority should so order.

If the authority finds that an efficient system requires grain to move from one railway's trackage across trackage of the other, it should be in a position to recommend this as a condition of abandonment of other lines in the area.

What we are all aiming at is an efficient grain handling system which best serves the citizens of Manitoba's communities. The authority must be given the necessary tools to work this out.

The VICE CHAIRMAN: Thank you, Mr. Jamieson.

I think this might be a good time to adjourn until 3.30 this afternoon or until just after the question period when we shall be meeting in the railway committee room in the centre block.

I urge all members who are here today to be with us this afternoon promptly so we can get started on the questioning period.

#### AFTERNOON SITTING

The VICE CHAIRMAN: Madam and gentlemen, we now have a quorum. Let us continue with our delegation from the Branch Lines Association of Manitoba. This morning we hear a brief, and we have again this afternoon Mr. Gregor Jamieson, vice president of the Branch Lines Association of Manitoba, Mr. D. F. Rose, executive director, and Mr. Bruce MacKenzie, executive director.

This morning we completed the presentation of the brief by Mr. Jamieson, and we are ready to open up the questioning this afternoon. But before we begin the questioning I wish to bring to the attention of all members of the committee the fact that the next meeting is set down for Tuesday, March 30, commencing at 9.30 a.m. in room 308, west block, when we shall be hearing from the Canadian Industrial League, the Maritime Transportation Commission, Halifax, and the national legislative committee, international railway brotherhoods.

Mrs. RIDEOUT: Are there not other committee meetings at that time which would create a conflict?

The VICE CHAIRMAN: I am aware of the conflict, and that is one of the necessary steps which I had assured the committee this morning that I would take, and it has been taken. I trust we will not have a repetition of what happened this morning. The matter has been reported to the proper authorities, and without naming them I do wish to say, although it happened this morning, those of us who complain most are often those who have the poorest attendance. That is all I intend to say. I think the difficulty we had concerning the meeting this morning will not happen again next Tuesday, while I am in the chair anyway.

Mr. DEACHMAN: I was just complaining about the situation this morning. We could hardly get a Conservative over in the defence committee.

The VICE CHAIRMAN: I do not think that is a complaint here. I was complaining as Chairman, and my concern is with the railway committee not with any other committee at the present time. I have no one listed who wishes to ask questions at the present time.

Mr. MACDONALD: I would like to refer to the part at the beginning on page 4 of your brief, and to the conclusion, on page 7. In your view are the provisions of section 314(d) of Bill No. C-120 adequate to meet the problem as detailed in that particular part?

Mr. SCARTH: No. Mr. Jamieson has not been talking about the bill but rather about the subject matter. He may not be prepared to answer questions on the bill itself, but only on the subject matter.

Mr. JAMIESON: At the moment I have not got a copy of the bill before me.

Mr. MACDONALD: You cannot say whether this would meet the problem or not. Have you any suggestions which you think should be followed to make



sure that whatever authority is considering it is going to compel one system to give running rights over its line to another system and so on?

Mr. JAMIESON: Well, it is certainly the opinion of the farmers in the country, and I share their views, that this should not be too difficult. If we have the proper type of set-up to look after this type of thing, then I would think that if this authority has sufficient power, it could be done.

I am not suggesting that they should compel either one railway or the other to do it. However, I think there are methods by which it could be done. In other words, if you take into consideration the area where we have looked this situation over in Manitoba, this should not be too difficult. I suggest taking a total area and looking at the transportation needs of that area. It might involve both railroads, and if it does, there should be some method of getting running rights. There should be some method of saw-offs, and you could persuade the railroads surely to do this type of thing.

Mr. MACDONALD: You have no detailed suggestions to offer at this time in order to do it?

Mr. JAMIESON: No, I would not suggest any.

Mr. MACDONALD: On page 3 in the final paragraph you refer to an efficient and cheap rail system for the carriage of farmers' grain. You are not suggesting that rail is the only system that could be used to carry it?

Mr. JAMIESON: It is the only one we have at this particular time.

Mr. MACDONALD: In all these particular locations?

Mr. JAMIESON: That is right.

Mr. MACDONALD: Am I to understand that in this very great area of Manitoba there are no highways available?

Mr. JAMIESON: It depends on what distance you are going to take it.

Mr. MACDONALD: What is that, please?

Mr. JAMIESON: I would say it depends on what area you are in, and what distance you are going to carry the grain. There are some highways, if you are talking about trucks.

Mr. MACDONALD: Is it the view of your organization that rail is the only means, or would trucking be acceptable to you?

Mr. JAMIESON: To what point, to Fort William?

Mr. MACDONALD: No, I mean to the main line, for example.

Mr. JAMIESON: To a reasonable type of railroad system I would say yes; but of course there is a cost element involved in it.

Mr. MACDONALD: Thank you.

Mr. KORCHINSKI: I just want to ask you this question. Have you got an organization in every one of these branch line areas?

Mr. JAMIESON: Yes, that is so.

Mr. KORCHINSKI: With a permanent secretariat so as to compile information?

Mr. JAMIESON: As far as we are concerned the central organization is the organization which was set up prior to 1920 to hold the local organizations together. We are more or less set up to provide information to the associations which are set up, and today there are 20 of them.

Mr. KORCHINSKI: You mean to co-ordinate it?

Mr. JAMIESON: Yes, that is right; and the associations are operated through a membership fee from the area in which they are involved. In some cases we have had some assistance from municipalities and from some of the small urban centres, financially.

Mr. KORCHINSKI: The local organization is responsible for the filing of data and detailed information and so on, and they pass it on to you.

Mr. JAMIESON: We have taken some responsibility for the compiling, and we get it from the associations. We pick out a certain association and ask them for some idea of transportation costs and that type of thing.

Mr. KORCHINSKI: Would you then have available to you information on how far, for example, if some of these lines were removed, trucks would have to haul grain going north of the harbour area on the lakes, and how far the trucks would have to haul grain before they got it to the railroad?

Mr. JAMIESON: As we mentioned in our brief, the problem at the moment is this: where do you put your new facilities to haul to, or where do you go to? What permanency is there? You see, in all western Canada we have large farmer ownership of elevator facilities, and in the case that you have a line up to the people in that area, you have to go about figuring out some point where they would re-establish. Under the system we have had in the past there just was nothing definite about your situation anywhere.

Mr. KORCHINSKI: Would there be areas which would be farther than 25 miles to a railroad, assuming that these lines would be abandoned?

Mr. JAMIESON: Oh, yes, sir.

Mr. KORCHINSKI: How far? Would you have any idea?

Mr. JAMIESON: I would not hazard a guess at the moment.

Mr. KORCHINSKI: You would not. I was wondering, because it seems to me that here there might be a way for the railroads to circumvent the Crowsnest pass agreement, and I was wondering how far out you would have to haul grain to a railroad, and then have the added cost. Are there any areas which are relatively new ones which are not developed at the present time, and where the railways perhaps abandoned a line in those areas?

Mr. JAMIESON: You mean where the area is not developed?

Mr. KORCHINSKI: I mean an area not developed, or a new area which has not yet reached its maximum potential.

Mr. JAMIESON: This could be the case in the northern parts of the province.

Mr. KORCHINSKI: And in those areas there are possibilities for development?

Mr. JAMIESON: Yes.

Mr. KORCHINSKI: If the railway decided to abandon such an area, then instead of progressing, as a matter of fact it would work in reverse, and the people there would have to move out of that area.

Mr. JAMIESON: I would imagine this would be correct, particularly up in the area of The Pas.

Mr. KORCHINSKI: There are no proposed abandonments in The Pas area?

Mr. JAMIESON: No, but if there were, then this would apply.

Mr. KORCHINSKI: When meetings were held in many of these areas did the farmers indicate how far they would be prepared to haul their products? I assume most of this area is farming land.

Mr. JAMIESON: Not precisely, but I would say that at the moment the farmer is not prepared to haul it much further. He takes the attitude that in moving the railroad out all that is happening is that there is a transfer of costs of hauling grain from the railroad transportation system to the farmer, and in essence that is it.

Mr. KORCHINSKI: Were you able to provide people along this line with information on what it would cost to haul their products by truck?

Mr. JAMIESON: Certainly. We have used the figure.

Mr. SCARTH: We have used the figure of half a cent a bushel per mile, to give you something to work on. I think the crow rate to that point is about 16 cents per bushel. So if you add eight miles to the haul, you will be adding four cents a bushel and you will be adding 25 per cent of the crow rate all the way to Port Arthur.

Mr. KORCHINSKI: Was there any interest shown by anyone that they were prepared to truck the products out to perhaps a different area? Was there any interest shown by the truckers?

Mr. SCARTH: Commercially? There is some custom trucking being done at half a cent per bushel per mile or thereabouts, but of course custom trucking is not available when the rush is on so most farmers do not depend upon it.

Mr. KORCHINSKI: Did the municipalities make recommendations indicating that they would want some further assistance for roads or another system worked out?

Mr. ROSE: There is no question that it would be an additional cost to the municipality. The difficulty at the present moment is that if one particular line goes out, we have no assurance that the next line at the place to which the farmers are going to haul their product is going to be there a year from now or two years from now, so it is absolutely impossible to make any cost survey until we are sure that there will be some line that is going to stay there.

Mr. KORCHINSKI: In many instances you cannot decide definitely unless you know what the Canadian Pacific Railway does.

Mr. ROSE: That is right.

Mr. CANTELON: I am glad Mr. Korchinski got to the Canadian Pacific Railway because this is the point I wish to make. In my area, which is of course in Saskatchewan, when I attended a meeting with the branch lines committees that were held there about a year ago, the Canadian Pacific Railway refused—and I do not think I am unjust in saying so—to detail their abandonments because they said there were reasons why they could not do so. This of course faces the district with the problem that they know which Canadian National Railways lines will be abandoned but they do not know which Canadian Pacific Railway lines will be abandoned, so it is practically impossible to determine exactly what the cost will be to the farmer because he does not know where he is going to haul his grain. Did you run into that problem in Manitoba?

Mr. JAMIESON: We have exactly the same circumstances. Most of these lines that you see in red on this little map are C.N.R. lines, very few of them are C.P.R. lines.

Mr. CANTELON: That is my next question, whether there were any C.P.R. lines among these red lines.

Mr. JAMIESON: There are some.

Mr. CANTELON: I am pleased to see that we know of some of the C.P.R. lines which will be abandoned.

I want to speak on clause 314B(1) in which it is said:

The authority may recommend to railway companies the exchange of branch lines between companies by lease.

This is practically the same question asked by Mr. Macdonald. Do you think the words "may recommend to the railway companies" have any authority in effect? Does this give any authority to the branch line rationalization authority so that it can in effect tell the railways that they must rationalize?

Mr. SCARTH: I think that a hint as to the feeling of this association is to be found on page 10 of the brief, in the second to the last paragraph where it is



suggested that the mutual use of trackage might be made a condition of abandonment of other lines in a given area.

Mr. CANTELON: You have not answered my question. Do you consider this phrase is strong enough?

Mr. SCARTH: By implication the association does not because it is suggesting that these changes be made a condition of other abandonments.

Mr. CANTELON: I do not know if I can accept that.

I also have some questions on the cost figures, but I think your brief is very clear in this particular area and it is much the same sort of question that was asked this morning, so it is hardly necessary to repeat those questions here.

Mr. RAPP: Mr. Chairman, I would like to ask these gentlemen their stand on the grain elevators that are on the abandoned lines. In other words, some opinions were expressed in my province that some of these elevators should not be removed even though there is a statute, with which you are probably familiar, which says that unless a grain elevator is on a railway line, it cannot accept grain. In other words off-track storage is not allowed. Some farmers in areas which are going to be 50 or 75 miles away from the next elevator on a track expressed opinions that these off-track elevators should be allowed to accept grain. Have you given any attention to such a problem where, if a line is abandoned, farmers may be put in a position of being about 75 miles away from the next grain elevator while at the present time they may only be about 10, 12 or 15 miles away?

Mr. JAMIESON: First of all, I would like to say that I think the North-west Line Company has made a presentation and I am sure that the farmers, the pools and the grain growers will also be making a presentation to you at a later date. They may answer this question pretty fully.

The only comment I would make is that I know some grain companies have attempted this. First of all you would have to rewrite the Canada Grain Act in order to do this. That may not be impossible. On the other hand, I do know that companies have experimented with this and sufficient money is not made in the handling of grain to operate an elevator off-track and to pay the two service costs.

Mr. RAPP: But at whose cost will the grain then be moved to an elevator on tracks? Will it be at the company's expense or at the farmer's expense? At whose cost is the grain going to be moved to the on-track grain elevator?

Mr. JAMIESON: My experience is that the farmer is going to pay it anyway.

Mr. RAPP: Well, in that case the Crowsnest pass benefits go out the window.

Mr. JAMIESON: This is true. That is another aspect of the story.

The VICE CHAIRMAN: On a point of information, may I say that the North-West Line Elevators Association presented a brief to this committee on Tuesday, March 9 of this year.

Will you proceed, Mr. Deachman.

Mr. DEACHMAN: Mr. Chairman, I wonder if the witness could give us any idea of the collection system for grain in Minnesota and North Dakota just across the border. Do these areas have a system identical with the one you have in Manitoba and Saskatchewan?

Mr. JAMIESON: Well no not exactly now. I am not too familiar with it but I do know most is government storage across the line from where I live. They are not grain handling companies or farmer owned.

Mr. DEACHMAN: It is government storage.

Mr. JAMIESON: Yes.

Mr. DEACHMAN: Is the grain stored in trackside elevators similar to the ones we see in Manitoba and Saskatchewan or are these larger cement storage elevators?

Mr. RAPP: They are terminals.

Mr. JAMIESON: My observation would be that some of them are very large type storages.

Mr. DEACHMAN: When the grain moves from the farm to the elevator in Minnesota or North Dakota is it moving to one of those large elevators or to a small trackside type of elevator?

Mr. JAMIESON: I think both apply. They do have an elevator system in some states.

Mr. MUIR (*Lisgar*): If I may point out, in respect of storage in North Dakota and across the line from Manitoba, the farmer can put his grain in a steel bin right on his farm, and the government official comes and locks the door.

Mr. JAMIESON: That is right.

Mr. MUIR (*Lisgar*): And, when they require grain they even give the farmer the full amount of the price of the grain as a loan, and it belongs to the government.

Mr. DEACHMAN: Then it is in bond on his farm.

Mr. MUIR (*Lisgar*): Yes.

Mr. DEACHMAN: When it moves out of this storage does it move to a small trackside elevator with which we are familiar, a country elevator or out to a major storage point into large grain elevators?

The VICE CHAIRMAN: Mr. Deachman, this is all very interesting but I do not think it has anything to do with the brief presented today. Perhaps you could speak to Mr. Muir later in this connection.

Mr. DEACHMAN: Mr. Chairman, with respect, I think it does. I wanted to know if our system is the only one by which you can move grain or are there other systems very close to us that are competitive.

The VICE CHAIRMAN: I think the way that you have put your question now is quite acceptable.

Mr. DEACHMAN: I am referring to those systems with which we are in competition and I was wondering if we should be examining these systems along with our own to determine what makes an efficient system.

Mr. MUIR (*Lisgar*): Our system is better.

Mr. KORCHINSKI: Yes, although we do have problems our system works better.

Mr. DEACHMAN: I would like to put this question to the witness. Do we move grain comparable distances, that is from the farm to the head of the lakes, cheaper than they do in the United States?

Mr. JAMIESON: As far as freight rates are concerned, certainly, yes. Freight costs are very high in the United States.

Mr. DEACHMAN: Then, is it true that grain landed at the head of the lakes with the existing branch line facilities or landed at the coast carries at a cheaper rate than any comparable area across the border?

Mr. JAMIESON: Yes.

Mr. PASCOE: Under the present system the elevators are close.

Mr. JAMIESON: Yes, that is true in respect of the system under which we are operating now.

The CHAIRMAN: Will you proceed now, Mr. Forbes.

Mr. FORBES: I would like to refer you to page 3 where you refer to farmers being provided with statistical information. I presume this information would apply to the economic position of the community and the cost of moving grain. Is this information available to this committee?

Mr. JAMIESON: I am going to ask Mr. Scarth.

Mr. SCARTH: If there are any statistics that we are able to supply we will be glad to do so. Does the information which you are seeking have anything to do with farmers' costs and that sort of thing?

Mr. FORBES: Definitely.

Mr. SCARTH: Well, if the committee wishes for statistics in a particular field we would be glad to see what we can do to provide them for you.

Mr. FORBES: My question is with regard to those two red lines at the top of the map on the easel. I think it is only fair that I restrict my question at this time to the area affecting our area.

Two years ago the C.N.R. made application to abandon thirty-one miles of track from Ochre River to Rorketon. The C.N.R. recommended in their brief that the farmers in the Rorketon area haul their grain to Winnipegosis and Fork River, and also recommended that the farmers of St. Rose haul their grain to the main line at Laurier. Now, they had not held a hearing on the Ochre River-Rorketon line until they made application for the abandonment of the line from Sifton to Winnipegosis, the one they had suggested as an alternative shipping point. It is in this connection I would like to have statistics. There are long mileages to haul grain in that area and, in this connection, I feel it would be very beneficial to the committee to have some statistics on the economic effect of the abandonment of these railroads and the cost of moving the grain to the main line, which would be 60 or 75 miles away.

Mr. JAMIESON: I doubt if we have the statistics on this particular line but we do have them in respect of other lines. Generally speaking, I think they are on the basis of one half cent a mile. Of course, we have another problem, with which the members from Manitoba certainly will agree. All the main highways and trunk roads run north and south and as soon as you take up a railroad line you have to build some kind of a network of roads to alleviate this problem.

Mr. FORBES: That is the type of statistical information which will be required for the area referred to because one of its municipalities is administered by a provincial administrator. It would be a terrific cost to the people of that general area to construct a highway to transport their grain and other produce which is normally shipped by rail to the main line of the C.N.R. That is the reason I would like to have some statistical information of that particular area.

Mr. JAMIESON: I think it would be correct to say we have not those particular lines, to my knowledge, and whether or not we can get them for you I do not know.

Mr. SCARTH: I think it may be possible.

Mr. JAMIESON: If it is possible we will obtain that information for you.

Mr. FORBES: As you know, the Hedlin Menzies commission was appointed; would it be part of their duties to inquire into the costs and economic factors in respect of the abandonment of this line in that particular area?

Mr. JAMIESON: It might be possible that they would have some of this information. The information which will be forthcoming at a later date will be available.



Mr. FORBES: What organization will be appearing before this committee which will be able to give us that information?

Mr. JAMIESON: Do you mean with regard to this specific line?

Mr. FORBES: Well, in respect of any line, but I presume this line would be included.

Mr. JAMIESON: Well I know that the Hedlin Menzies commission did this type of work in specific areas. They took spot areas.

Mr. FORBES: Were they hired by the provincial government?

Mr. JAMIESON: No.

Mr. FORBES: Who engaged them?

Mr. JAMIESON: The Manitoba Pool Elevators.

Mr. FORBES: Were the U.G.G. associated with them?

Mr. JAMIESON: I do not think so.

Mr. FORBES: Thank you.

Mr. JAMIESON: There may have been some contribution from some other organization but in the first instance it was instigated by the Manitoba Pool.

Mr. PASCOE: Mr. Chairman, Mr. Forbes has pretty well covered the questions I was going to put. You say in your brief that a substantial number of farmers, municipal officers and businessmen, gave evidence of the loss which would result from abandonment, from which the aggregate damage could be calculated. I am trying to ascertain the loss to the whole community, businessmen and so on. I know figures were compiled in this connection and I was wondering if they would be available.

Mr. JAMIESON: Would this information be available?

Mr. SCARTH: This accumulation of evidence is available in transcript form, being the transcription of the proceedings before the board of transport commissioners for specific areas. Give or take one or two I believe there have been ten branch line hearings in Manitoba and these were well distributed throughout the province. Each one of these hearings was fully reported and the transcripts are available. Witnesses appeared before these hearings and gave a full statistical summary of the damage in the particular areas.

Mr. PASCOE: The damage to the whole community?

Mr. SCARTH: Yes, including road costs, tax loss, extra haul miles, new elevator facilities, and larger trucks. All this information is available.

Mr. MUIR (*Lisgar*): If abandonments are authorized what would you consider to be an appropriate transition period to enable municipalities, farmers, businessmen and elevator companies to make the necessary financial adjustment?

Mr. JAMIESON: I would not care to give a very definite answer to your question. I think it would depend on the amount of mileage of track you had taken up, distances involved and so forth. It would depend to what extent you had railroad abandonment in that particular area. Perhaps Mr. Rose would like to comment on that.

Mr. ROSE: Mr. Chairman, I think until such time as we are definitely sure that there is one railroad in particular that is going to be there it is impossible to make an estimate of these costs because if this line goes out the cost is going to be so much to get to the next line; but if the next line goes out also, then that will create additional problems. We may have started to build our roads in the wrong direction and we may have to go south instead of north. So, until we are definitely sure there is going to be a network of railroads left to handle the grain I do not think the municipality or the government of Manitoba can put any cost on what it is going to cost to build roads to get to these particular points.

There is another point I would like to bring out. All the branch lines at the present time have elevators, that is, at every little place six or seven miles apart. These elevators in the last number of years, since the grain has piled up, have built annexes. This is the storage that is in Manitoba. It is at these country points. Some of the small villages will have three elevators. The capacity of the elevators could be 150,000 bushels or so, and they have annexes that will store another 200,000 or 300,000 bushels. If this line is abandoned, the storage space will be lost; and the farmer does not have any storage at home. He does not have storage space on his farm because he has been able to make use of the storage space that has been provided by the various elevator companies. Therefore, it is not just a matter of the farmer hauling his grain; it is the fact that there is no place for him to put his grain when he does get to the other line because there is no storage space available there to hold it.

Mr. MUIR (*Lisgar*): I think probably I am wrong, but we can assume that the bill will take into consideration the abandonment on a regional rather than a piecemeal basis. This is what we hope for, anyway.

On that assumption, when the farmer knows or the municipality knows which line is going to be abandoned in a certain period, would you consider that as legislators we must write into the bill some protection—or at least we must hope to write in some protection—for these municipal bodies, for the farmers and for the businessmen? Would you consider that a five year period would be a proper adjustment period? I am not talking about the 15 year point, I am talking about where a line has been authorized to be abandoned. Would you suggest that we write into the bill a provision that after authorization has been given for a railway line to be abandoned it must not be abandoned for five years?

Mr. ROSE: I doubt very much that five years is long enough. In five years an average municipality does not build a great deal of road.

Mr. MUIR (*Lisgar*): I am not sure whether I can find the section quickly in the bill, but when the grassland authority suggest to the board of transport commissioners that the line shall be abandoned and the board of transport commissioners agree it is uneconomic, I understand it is to be abandoned forthwith. In those circumstances, I think we should have some protection for the elevator companies and others. You cannot build a road even in a year; you have to authorize the money for it, and so on.

Mr. JAMIESON: Mr. Chairman and Mr. Muir, at the moment I think certainly the people we are representing here are not suggesting that we have any particular amount of railroad abandonment in Manitoba. I think we will all have to agree that there are spurs of tracks and pieces of track that anybody with common sense could say one could get along without because they have no particular economic value at all. But in general, I think the people for whom we are working would say an appreciable amount of railroad abandonment in Manitoba is nothing more than a transfer of costs for transportation from the railroad to the farmer.

Mr. MUIR (*Lisgar*): Other factors arise from the abandonment of branch lines, and that has to do with storage, of which we spoke a minute ago. Do you visualize, in the event of the abandonment of any substantial amount of railway, large centralized elevators to accept the grain that is to be taken to the railway?

Mr. JAMIESON: I would think, Mr. Muir, that this would be logical, would it not? If there were any particular amount of abandonment in a specific area, then logically when you build storage space you would attempt to build more of it. Again, there is a terrific cost factor there, particularly for the farmer-owned companies; and as Mr. Rose mentioned with regard to roads, you again have a problem in regard to the time you will need in order to get this service set up for the people. When you do away with your old facilities or your present

facilities you find yourself saddled with the construction and the cost of a terrific amount of facilities.

Mr. MUIR (*Lisgar*): I find here in section 314c (6) the following:

Where a branch line is approved for abandonment it must be abandoned on the prescribed abandonment date unless the line may be brought under the provisions of the new subsection (7).

Subsection (6) of section 314c—this is the new section—says:

Where a branch line has been approved for abandonment under section 314B, the company shall cease the operation of the line and each segment thereof

(a) on the date fixed therefor by the authority under subsection (1), or on the 30th day of June, 1979, whichever first occurs;

I would expect this particular section has to do with the particular line that has been approved for abandonment, but because of federal subsidies it will not be abandoned for 15 years. I am thinking about those who are not going to qualify. Do I make myself clear?

Mr. JAMIESON: No. Would you please repeat that?

Mr. MUIR (*Lisgar*): I am thinking particularly about the lines that are going to be abandoned on purely economic grounds and the other considerations which will mean that they do not qualify for the government subsidy. I submit that if these lines are abandoned within five years of the date of application for the date of authorization there could be a hardship. The reason I mention this is that up until now it has been the practice; once a line is authorized for abandonment it is abandoned as quickly as possible, within a year. The result is you have elevators lying empty and you have farmers who have to buy large trucks. It think it would be well to point out to the committee that it certainly is desirable to have a time for abandonment, regardless of whether or not it is subsidized.

Mr. JAMIESON: I would agree with you.

Mr. ROCK: I am a little disappointed that the map you have produced here does not show the road system, nor a scale showing the number of inches to the mile. It is very difficult to understand exactly the number of miles the farmers now will have to travel to the other location after abandonment takes place. This makes it rather difficult to properly study the situation. Could you tell me what average distance the farmers now have to travel to bring their produce to the nearest elevator?

Mr. JAMIESON: Do you mean the furthest distance in the province?

Mr. ROCK: No. I am thinking of the trackage which is under discussion now which is to be abandoned.

Mr. JAMIESON: If you went up in the north country, for example, you have distances there greatly in excess of what you would find down in the lower half of the province.

Mr. ROCK: Would it be a distance of 75 miles, 10 miles, or 15 miles? It is difficult to tell from the type of map you have produced.

Mr. SCARTH: To give you an idea of the scale, the distance from Winnipeg here to the border at the bottom of the map is approximately 75 miles. That is the rough scale. Then you would have roughly 20 miles between these lines of track.

Mr. ROCK: Only 20 miles?

Mr. JAMIESON: That is right.

Mr. ROCK: That means it is a matter of 10 miles of travel if you are in the centre; that is not a great distance.



Mr. FORBES: You are right in saying that is a very poor map. In the north around lake Manitoba there is lake Winnipegosis and from the map you would think you would have to drive just 10 or 12 miles, but there is a lake there 10 or 12 miles long which is not shown.

Mr. SCARTH: The map was not intended to be a study of distances. It was intended for two purposes; to give the committee an indication of where these locations are, and the proportion of land which is under application for abandonment. There are no topographical features shown. Manitoba is not just one vast flat land, but is broken up by topographical features. These features are not on the map. This is not a study of this type.

Mr. ROCK: It is too bad. If we had the road system embodied in that map we would be able to see the situation in respect of the different facilities. What we have in front of us now is just the railway transportation facilities and nothing else. This makes it difficult for us to study the situation in the proper perspective.

Mr. SCARTH: This is the kind of a study that we hope an authority would do. We suggest this is something an authority might take some days to achieve; that is, an examination of a particular area, the distance of haul, and so on. This submission is on the general subject matter of the bill and the request is that an authority be set up to look at the area and come up with a common sense solution.

Mr. ROCK: Would you be able to tell me the number of elevators there are situated on the tracks to be abandoned?

Mr. SCARTH: I think it is in the brief.

Mr. JAMIESON: I think it is in the nineties.

Mr. ROCK: Would you know, in the province of Manitoba, whether the C.P.R. or the C.N.R. have organized a trucking firm to move grain, say, from the farmers' farms to the trackage?

Mr. JAMIESON: No.

Mr. ROCK: There is no such transportation system?

Mr. JAMIESON: No.

Mr. ROCK: Is there any other transportation system existing in the province from which a farmer could hire trucks?

Mr. JAMIESON: There is nothing other than just the small commercial operators within a district.

Mr. ROCK: You would not know whether or not the C.N.R. or the C.P.R. ever applied to the provincial government for a trucking permit for the future, or anything like that?

Mr. JAMIESON: Not to my knowledge.

Mr. SOUTHAM: I think this whole matter of concern in respect of rail abandonment was accelerated recently by what has been referred to as the piecemeal abandonment in this proposed legislation we are studying here.

The CHAIRMAN: Mr. Southam, can you speak up? We are having difficulty in hearing you.

Mr. SOUTHAM: I am referring to the piecemeal development abandonment and the rationalization of abandonments for consideration by regions. Now, this legislation that we have before us talks about rationalization authority, taking this fact into consideration. Over the past several weeks, the witnesses seem to be unanimous in their thoughts. I just wanted to get an expression from the witness of the fact that the authority is not strong enough. Mr. Muir mentioned the word "may" instead of the word "shall", for instance. In this proposal that we are considering do you feel that this rationalization authority has enough authority or do you feel it should be given more power than has already been laid down?

Mr. JAMIESON: Certainly, Mr. Chairman, we would suggest that it have sufficient authority and sufficient teeth that it can do the thing that we think should be done and that is an over-all sensible rationalization problem.

Mr. SOUTHAM: In other words, you are expressing the same thought, that there does not appear to be enough authority at the present time. There is another matter and this came up at the MacPherson royal commission. I have had some personal experience in the matter of economies and railway abandonments. I believe one of the first large abandonments was the Wolseley line. An application was made by the C.P.R. in 1959 and it was not brought into effect until 1961. There were a number of disputes involved. There was a committee set up at the time to study these. The railroads formula for cost accounting was disputed. Then, more emphasis was placed on this dispute of cost accounting in the MacPherson royal commission. A lot of the evidence of the former minister of agriculture, Mr. Hamilton, was put on the records at the last hearing last Tuesday. You are representing about eight different organizations here in Manitoba, such as the union of Manitoba municipalities, the Manitoba Chamber of Commerce and so on. Have you thought of getting an intelligent group of economists to set up what you feel might be a cost accounting system with respect to this problem?

Mr. JAMIESON: This firm of Hedlin-Menzies have done this work. They had one man do a considerable amount of this work. Is that correct Mr. Scarth?

Mr. SOUTHAM: I think the two basic fundamentals in the final agreement will be what is the proper cost accounting and what would be the proper authority rationalization. The problems will fall into a pattern.

Mr. JAMIESON: We made mention of that in the report this morning and I have a sheet here of some figures that came directly from the hearing on this particular Varcoe subdivision line and there is an item, cost of money \$58,000. We have some of these sheets.

The CHAIRMAN: The sheet will then be exhibit 1 to your brief, as follows:

	Exhibit
Statement of Avoidable On-Line Costs for the Varcoe Subdivision	
	1960
Fuel .....	\$ 650
Crew Wages .....	3,267
Other Transportation Expenses .....	26
Maintenance and Depreciation—Equipment .....	1,570
Road Maintenance—Labour .....	46,443
—Materials .....	9,092
Road Property Depreciation .....	25,533
Station Expenses .....	4,306
Cost of Money* .....	58,413
Non-Revenue Freight .....	25
Taxes .....	7,859
Insurance .....	115
Supervision .....	4,653
Traffic and General .....	13,632
Total .....	\$ 175,584
Say .....	\$ 175,600

\* On net salvage value of trackage and facilities.

Mr. SOUTHAM: In other words, Mr. Chairman, would I be correct in assuming then that your association, like a number of witnesses, indicates some doubt about the proper cost accounting in making your representation for abandonment?

Mr. JAMIESON: I made one mistake here. I think your question to me a few moments ago was on the cost accounting of the railways. Hedlin-Menzies did not do this. It was cost accounting on the rural areas that they did.

Mr. SOUTHAM: As I say, if I may repeat myself, I would assume that your association would be expressing certain doubts as to the cost accounting formula used by the railways where it shows the true picture of this over-all problem of abandonments?

Mr. JAMIESON: It was obvious to us, in listening to four or five hearings, that the same approach was not used or the same system was not used and this is what the farm people object to.

Mr. REGAN: If I might be pardoned I did not hear some of your answers earlier because I had to be at another committee so if I should ask something that has already been dealt with perhaps you will put me in my place. In dealing with these lines that are projected for abandonment in Manitoba, am I correct that most of the lines that are being abandoned are C.N.R. lines?

Mr. JAMIESON: Correct.

Mr. REGAN: And am I also correct that in many areas the C.N.R. lines run somewhat parallel to C.P.R. lines at the present time, and the abandonments of these C.N.R. lines will result in government owned trackage being abandoned while the private owned C.P.R. will pick up the business on their parallel line and be in a more profitable position than they are in at the present time; is that accurate?

Mr. JAMIESON: Well, it has been our feeling, and this is to some extent just personal because we cannot prove it, that there is far more or there will be far more C.P.R. lines than there presently are. It would be the opinion of some of us that there could be far more applications for abandonment on C.P.R. lines than we presently have. In other words, they are holding back on their applications.

Mr. REGAN: Do you say that in some areas, if you are to have abandonment at all, it would be just as practical to perhaps provide service to abandoned C.P.R. lines where they presently intend to abandon the C.N.R. line?

Mr. SCARTH: Mr. Chairman, I think part of the brief this morning was to the effect that you cannot distinguish between the two lines within an area. Discussing an area such as this where there is a C.P.R. line and a C.N.R. line, the logical method of handling it—this was discussed in detail this morning—might be to trun down through a populated area—the C.P.R. line uses a 13 mile cut-off—and abandon 30 miles of absolutely barren trackage. As far as the local people are concerned, I speak for them, and I think they would accept it immediately, and get on with the grain down at the other end. This is a logical approach and it does not permit an answer, which I suggest says this line or that line could be abandoned.

Mr. REGAN: I would like to turn your attention to the south area, the abandonment of the C.N.R. lines between Morris and Hartney. This will mean that you take in an area say between Cartwright and Glenboro and then you will have more than 40 miles between these two C.P.R. lines and right in the middle the C.N.R. line that has been running between Morris over towards Hartney will not be abandoned even though it is right in between. Do you not feel that in this sort of arrangement, government owned lines are being abandoned for the economic benefit of the privately owned C.P.R.?



Mr. SBARTH: I do not think Mr. Chairman, that this association is capable of reading anything into the application which has been made up to date. There will be more by the C.P.R., we do not know. Our only concern is that when the areas are looked at, we hope they are not looked at just in respect of the lines that have been applied for, but the whole area is looked at, so we do not get an erratic and off balance abandonment such as the member suggested.

Mr. REGAN: If this were the case would not either railway come forward now rather quickly with a full list of the lines that they intended to abandon, because if the other railway were able to abandon one in the area first, then their chances of abandonment would be much less, would they not? Would that not suggest to you that the railways would probably come forth with their list of abandonments?

Mr. SCARTH: I do not think any inference like that has been drawn by the association, but the questioner has put his finger on a serious proposition. We are faced with competitive abandonments all right, that is true, as we were faced with competitive construction in the late 19th century. We are concerned with this competitive abandonment because it is just as local as construction. We would like to stop this by putting authority in charge to make sure that this is not competitive abandonment that we are faced with but rather rational abandonment.

Mr. REGAN: Just in connection with these lines again, I would like to refer you particularly, if you are familiar with the area, to Morris over to Roland and running between Glenboro and Cartwright. In this area would there be other traffic besides grain being carried?

Mr. JAMIESON: To some amounts, yes. There is quite a variation, one area to another, as we have experienced.

Mr. REGAN: Would you not think that the volume of traffic would be sufficient to make a serious factor in regard to the question of whether abandonment should be granted or not?

Mr. JAMIESON: The main transportation on all these lines is grain.

Mr. MACKENZIE: When we had the extra sales of grain to Russia which we had not had before, it gave the railroads a chance, which they had not had previously, to get a lot of grain into forward position. If you have grain coming in here, you can get it into Winnipeg and down to the lake in forward position in quite a hurry.

Mr. REGAN: Do you find there is any expansion in the rural population in Manitoba which would indicate any greater or varied need for these rail lines which are proposed to be abandoned, let us say, 10 to 15 years from now? Is there a possibility that if we quickly or unwisely abandon lines now we might later find that they would have become more profitable had they been retained for an interim period, but that it would not be economically sensible at all to replace them?

Mr. SCARTH: This is a conceivable proposition, based on our experience, and based on the hearings in the MacGregor-Varcoe area. You can see it from the map. There is a plant now at Carberry which is opening up an area of vegetable production, and which is widening in a radius around Carberry. You may propose to abandon the line from MacGregor to Varcoe which runs through this very good soil area which is well suited for the production of vegetables in quantity. It was suggested at the hearing that if that line were abandoned, we might, 10 years from now, show that the line from there was very greatly needed to handle those vegetables. Yet, as the questioner has put it, it might be uneconomic to reconstruct it. So this is quite a possibility.

Mr. JAMIESON: We have another development going on in central and eastern Saskatchewan, and in central and western Manitoba where exploration work for potash is going on. In that particular area I think the railroads are sitting very quietly until they see what the development is. This is just another opportunity for transportation if it so develops.

Mr. REGAN: In looking at the map, particularly the area showing the very, very long stretch starting out in the west from Souris and running south to Deloraine and running along by Cartwright and all the way along past Carman and down to Morris, you will find that in that comparatively great distance there is a stretch of at least 40 miles wide out of the centre of which you are taking the railway line, and in the entire distance there is no north and south line to join available lines for that full distance of 40 miles. Do you not feel that if this abandonment were granted, this would be one of the areas which would be most hard hit?

Mr. JAMIESON: It would appear that way, yes.

Mr. SCARTH: In volume III of the MacPherson report it was suggested that this area of Manitoba would be the hardest hit of all by abandonment of this sort.

Mr. REGAN: It would appear to me to be a very poor case for abandonment particularly where the Canadian National and the Canadian Pacific lines on either side would benefit. I think it would be a case which would favour private ownership of the Canadian Pacific, and would not be in favour of governmental regulations.

The VICE CHAIRMAN: Before we go on to the next questioner may I ask the members of the steering committee who are present, Mr. Macdonald, Mr. Crouse, Mr. Fisher, and Mr. Cantin, to remain for a few moments just after we adjourn.

Mr. MILLAR: My question to the delegation is this: concerning these rail line abandonments here, do the railroads offer anything in the way of service to replace what they are taking from the rural areas? In other words, do they leave it with you and say that it is up to you to get your grain to an elevator that is serviced by a railroad?

Mr. JAMIESON: That is correct.

Mr. MILLAR: My second question is this: does this delegation feel—and I am not a grain farmer—concerning the movement of grain, that the maintenance by the railway company for 12 months a year of a line is justified by the amount of grain that is shipped out of the area? Do you feel this is economical? Is it sound?

Mr. JAMIESON: That is what we want the authority to decide.

Mr. MILLAR: Rather than the railroad?

Mr. JAMIESON: According to a pattern of proper cost appraisal, generally, so that you would have a correct statement when you were through.

Mr. MILLAR: That sounds reasonable. Now, one final question. Mr. Scarth was drawing a comparison between competitive construction and competitive abandonment. From the appearance of these rail lines on the section of Manitoba that you show there, it would indicate that at one time in the history of Canada they built railroads rather recklessly. Is it reasonable to assume that these railroads were built into areas where for instance the Canadian Pacific had government grants of land that they would be interested in developing? Could this be said to be true?

Mr. SCARTH: This is rather an historical conclusion. But taking the example we were talking about this morning, we do not know the reason for the building of the Canadian Pacific line from MacGregor to Varcoe. It was built in 1899 I think, and it must have been obvious at that time that the first 30 miles were



unproductive, because you only have to be there to see that it is sand, and that it is not a productive area. It is hilly and sandy. So it must have been obvious that this area was unproductive. But no doubt the desirable area was up here, the other 30 miles, and it was so attractive that the railroad wanted to get there first. That is competitive building, of course.

Mr. MILLAR: I follow you.

Mr. SCARTH: What we are concerned about, using the same example, is that we do not get to that abandonment conceivably if this whole line is to be pulled out of here. Then a railway responsibility would cease. In other words, because 30 miles were a mistake, the whole 60 miles must go, and it just does not make sense to the people in this area. They want it to be put together as a region.

There are a number of easily discernible transportation regions in Manitoba, Saskatchewan, and Alberta, and it could be viewed in that way, and a system could be put together which would prevent competitive abandonment from giving the same results in reverse.

Mr. MILLAR: The main point I am trying to get at is that I am saying a lot of this land would comprise some of the thousands of acres which were granted to the Canadian Pacific in return for building the railroad. Basically my question is this: now that the land is sold, is the Canadian Pacific quite happy to get out of the area and forget about the farmers that they were responsible for placing there? Will you answer that question.

Mr. JAMIESON: It could be a factor, but we would not know that at the moment.

Mr. MILLAR: Would you look at that map. It would lead you to believe so.

Mr. JAMIESON: We have another situation, Mr. Chairman and gentlemen, where it is very obvious that neither one of these lines was asked for. They are right in an area with which I am quite familiar. We have one of the best farming areas in Manitoba in the area up to here, where the track turns, yet there is not one elevator, one town, or one thing on the balance of this. This is Canadian Pacific, this is Canadian National. They come within half a mile of each other at Rivers, Manitoba.

Mr. MILLAR: Does this whole proposal for abandonment indicate that the railroad is no longer interested in transporting wheat, that it is not profitable? It must be, or else they would not move out. When you start talking about potash, the indications are that they are interested.

Mr. JAMIESON: We would like to see them prove this on a proper accounting basis.

Mr. FISHER: Your committee's organization is largely ad hoc to line abandonment, and it is apparent from your brief that you felt you could not go into detail on the bill as a whole. Was there any discussion, when your organization was forming, that you might bring in a critique of the bill as a whole rather than just concentrate on line abandonment?

Mr. SCARTH: I think the situation is that this organization is primarily an information gathering organization. Its primary purpose in coming here was to make the committee aware of the experience which its members have had in facing line abandonment applications in the past. The members which are affiliated with it are going to be specific critics of the bill before this committee, but this has not been the function of this association.

Mr. FISHER: In other words, the fact that your organization does not go into, for example, some of the ideas put forward by the National Farmers' Union does not mean your membership would be antagonistic to those ideas.

Mr. SCARTH: It does not mean they would be antagonistic or favourable to them.



The VICE CHAIRMAN: Those are all the questions we have.

Mr. FORBES: I would like to interject a thought regarding these branch lines about which some of the members have been asking. My understanding—and I was in Manitoba in the early days—was that a number of these branch lines were built as feeders for the main line. They were intended as a profitable enterprise to start with but they were feeders for the main line which would show profit for the Canadian National Railways. This accounts for that great section of lines you see all over the map.

Mr. FISHER: I would like to make one suggestion. If they want to get a parallel to support Mr. Forbes' argument, T.C.A., for the last number of years, has shown a profit, I think with the exception of one or two years, and yet, on a number of occasions their president has indicated that only two routes on the system are actually moneymakers. The whole thesis of T.C.A. is that these routes only seem remunerative and yet they are not, such as, for example, the route from Montreal to Toronto which actually does not pay, but in so far as it fits into the national route it is considered worth while. I think this point is often missed in connection with line abandonment in the railways' propaganda. I would suggest to you it is a good analogy. I think this would also apply to the Canadian Pacific Air Lines, although, of course, we have not had the opportunity of hearing them, but this must also be a parallel.

Mr. PASCOE: Mr. Chairman, could I just ask a final question? The witnesses have been speaking about a rational adjustment of the railway problem on a regional basis. They say that the new authority must have real authority.

Coming back to the question which Mr. Cantelon touched upon, you mentioned here one railway being able to operate over other railways' lines at certain points. On page 10 you say that the authority should be in a position to recommend this situation. Would you use a stronger word than "recommend"?

Mr. SCARTH: The brief continues "as a condition of abandonment of other lines in the area".

Mr. PASCOE: But you used the word "recommend".

Mr. SCARTH: If the recommendation is not accepted, presumably other lines would not be abandoning the area.

Mr. PASCOE: You are talking about real authority in one place and recommending it in another.

Mr. SCARTH: The railways are in a position to make application to the authority for abandonment. If they wished abandonment, I think it would be logical to request that for the remaining segments of line running rights be granted. If those running rights are not granted, it did seem logical to the members of the association that there might be no abandonment.

The VICE CHAIRMAN: Gentlemen, I want to thank you on behalf of the committee for your attendance today and for presenting your brief, as well as for being with us from early this morning at 9.30 until late this afternoon. I want to thank Mr. Jamieson, Mr. Rose, Mr. MacKenzie, and I wish to say that I forgot to introduce Mr. Scarth, Q.C., solicitor for the Branch Lines Association of Manitoba.

Mr. PASCOE: Can we point out to the witnesses that we sit in parliament until 11 o'clock at night?

The VICE CHAIRMAN: Before the committee leaves I want again to say that next Tuesday, March 30, three delegations will come before us. All their briefs have been distributed to the members this afternoon. It is my hope that next Tuesday all the members will have read those briefs and we will take the briefs as read and have them printed as an appendix to the meetings' proceedings and thereby save more time for questioning.



HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-65

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STANDING COMMITTEE

ON

**RAILWAYS, CANALS AND  
TELEGRAPH LINES**

*Chairman:* JEAN T. RICHARD

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

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TUESDAY, MARCH 30, 1965

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Respecting

**BILL C-120.** An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

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WITNESSES:

From the *Canadian Industrial Traffic League*: Messrs. R. Eric Gracey, General Manager, John F. Cunningham, George Paul. From the *Maritime Transportation Commission*: Messrs. A. Gordon Cooper, Q.C., Counsel, Craig S. Dickson, Executive Manager, R. M. F. Armitage, Secretary.

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ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1965



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Balcer	Gundlock	Millar
Basford	Hahn	Mitchell
Beaulé	Hamilton	Muir ( <i>Lisgar</i> )
Berger	Horner ( <i>Acadia</i> )	Nugent
Boulanger	Howe ( <i>Wellington-</i>	Olson
Cadieu	<i>Huron</i> )	Pascoe
Cameron ( <i>Nanaimo-Cow-</i>	Kindt	Prittie
<i>ichan-The Islands</i> )	Korchinski	Rapp
Cantelon	Lachance	Regan
Cantin	Laniel	Rhéaume
Cowan	Latulippe	Rideout ( <i>Mrs.</i> )
Crossman	Leblanc	Rock
Crouse	Lessard ( <i>Saint-Henri</i> )	Southam
Deachman	Lloyd	Stenson
Fisher	Macaluso	Tucker
Forbes	MacEwan	Watson ( <i>Assiniboia</i> )
Foy	Macdonald	Winch—60
Godin	Marcoux	
Granger	Matte	

(Quorum 12)

Marcel Roussin,  
*Clerk of the Committee.*

## MINUTES OF PROCEEDINGS

TUESDAY, March 30, 1965  
(36)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:45 a.m. this day. The Vice-Chairman, Mr. J. Macaluso, presided during the first part of the meeting and Mrs. Rideout took the Chair for the latter part.

*Members present:* Mrs. Rideout and Messrs. Beaulé, Berger, Cameron (Nanaimo-Cowichan-The Islands), Cantelon, Cantin, Deachman, Fisher, Forbes, Granger, Hahn, Legault, Lloyd, Lessard (*Saint-Henri*), Macdonald, Macaluso, Matte, McNulty, Orlikow, Pascoe, Rock, Southam, Stewart, Watson (*Assiniboia*) (24).

*In attendance:* From the *Canadian Industrial Traffic League*: Messrs. R. Eric Gracey, General Manager, John F. Cunningham, George Paul. From the *Maritime Transportation Commission*: Messrs. A. Gordon Cooper, Q.C., Counsel, Craig S. Dickson, Executive Manager, R. M. F. Armitage, Secretary.

From *Canadian Pacific Railway Company*: Mr. K. D. M. Spence, Q.C., Commission Counsel. From *Canadian National Railways*: Mr. Walter Smith. From the *Department of Transport*: Mr. H. B. Neilly, Chief Economist, Railways and Highways Branch. Mr. Allastair MacDonald, Q.C.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman read a telegram from the National Legislative Committee, International Railway Brotherhoods to the effect that the association would not be able to attend the meeting, at which they were scheduled to appear today.

On motion of Mr. Hahn, seconded by Mr. McNulty,

*Resolved*,—That the briefs of the three associations invited for today, be printed as appendices to today's proceedings (*See Appendices "G", "H", and "I".*)

The Chairman introduced Mr. Gracey, and the other witnesses from the Canadian Industrial Traffic League.

The brief of that association was taken as read. The Committee examined the witnesses.

The Chairman thanked the witnesses for their cooperation and they were retired.

The Chairman begged leave from the Committee and, on motion of Mr. Regan, seconded by Mr. Cantin, Mrs. Rideout was elected as Acting Chairman.

Mrs. Rideout introduced the witnesses from the Maritime Transportation Commission: Messrs. A. G. Cooper, Craig S. Dickson, and R. M. F. Armitage.

The brief from that Commission being taken as read, Mr. Cooper read a supplemental submission which had been distributed in English to the Members of the Committee.

The witnesses were questioned, and retired.

It being 12:20 p.m., and no other witnesses having informed the Committee of their intention to be heard, the Committee adjourned to the call of the Chair.

Marcel Roussin,  
*Clerk of the Committee.*



## EVIDENCE

TUESDAY, March 30, 1965.

The VICE CHAIRMAN: Madam and gentlemen, we have a quorum.

We were to have with us today the national legislative committee of the International Railway Brotherhoods. However, the clerk received a telegram on March 27 which reads as follows:

I beg to advise that the national legislative committee, International Railway Brotherhoods will be unable to appear before the committee on March 30, 1965. We wish to reserve right to appear on later date.  
A. R. Gibbons, Secretary.

We will therefore not be hearing from the railway brotherhoods today but we will give them an opportunity at some future date to present their brief.

I would accept a motion to have their brief printed as an appendix to today's proceedings so that it will be available to the members before the brotherhoods appear on the next occasion.

Mr. HAHN: I will so move.

Mr. McNULTY: I will second it.

Motion agreed to.

The VICE CHAIRMAN: The brief will be printed as an appendix to today's minutes of proceedings and evidence.

We have with us today the Canadian Industrial Traffic League. Mr. R. Eric Gracey, sitting at my immediate right, is the general manager of the Canadian Industrial Traffic League. Mr. Gracey has with him other members of his delegation from the league and I will ask him to introduce them to you.

Mr. R. E. GRACEY (*Manager, Canadian Industrial Traffic League*): I wish to express to this committee the sincere regret that the president of our organization, Mr. Victor Stroud is unfortunately ill and has been on the critical list for the last three weeks. Mr. Stroud is a man with 38 years' practical experience in industrial traffic, and I am sure you would have found his evidence most interesting.

On my right is Mr. J. S. Cunningham from Montreal. He is the chairman of the special committee set up by the board of directors of the league to study Bill No. C-120. Through his committee we discussed this bill in all of our divisions across Canada, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and the maritimes. The brief that you see before you now is the result of these decisions.

Mr. Paul is a special consultant whom the league has retained to deal with Bill No. C-120.

The VICE CHAIRMAN: Thank you, Mr. Gracey.

Before we commence I want to bring to the attention of the committee that we were to meet this afternoon at 3.30 or after the question period in the railway committee room in the centre block. However, I understand from the clerk that that room will not be available. If it is necessary to meet this afternoon, we will meet again in this room. Since we have only two briefs to be presented, we may be able to complete them without the necessity of sitting this afternoon.

I would also like to bring to the attention of the committee the fact that it will be necessary for me, for personal family reasons, to leave within about

half an hour. I would ask that the committee nominate an interim chairman to take the chair for today.

Mr. REGAN: Mr. Chairman, would you accept a nomination?

The VICE CHAIRMAN: Yes.

Mr. REGAN: I will nominate Mrs. Rideout to act as temporary chairman today.

Mr. CANTIN: I will second the motion.

The VICE CHAIRMAN: Are there any more nominations?

All those in favour? Contrary?

Motion agreed to.

I announced at the last meeting of this committee last Thursday that since we have had the brief of the Canadian Industrial Traffic League for a week, we will take the brief as read. It will be printed as an appendix to today's Minutes of Proceedings and Evidence. Mr. Gracey will touch only on certain highlights and make some other comments on the brief, and then he and his delegation will be open to questioning. We will do the same with the brief from the Maritime Transportation Commission. However, there is a supplemental submission from them which will be put in your hands. I feel that this perhaps can be read by the commission when they present their brief.

Mr. GRACEY: The brief is quite short. On the first page we mention that this submission does not abridge the rights of any of the league's individual members to withdraw from any of the things we state.

On page 2 we refer to clause 3, section 45A. The league wishes clarification of this statement.

We also refer to clause 5, section 156(1), and we would like to have an interpretation of the words "transportation company" and "common carrier".

On page 3 we discuss clauses 9, 10, 11 and 12 and certain sections of the act. We request that the bill be altered to provide for an appeal board for shippers. We notice that the proposed section 317 provides certain relief but we do not feel that this is a satisfactory safeguard for industry or for shippers.

At the foot of page 3 we deal with clause 15, section 326. What we ask for here is that the railways publish a price list of the class rates.

On page 4 of our brief we discuss clause 18, section 333. We suggest that the commercial terms of sale are now generally made on a basis of 30 days, and we request that any increases in rates be effective only after 30 days.

In dealing with clause 19, section 335—this is the captive traffic clause—we feel that the statutory provisions suggested here are too arbitrary and we feel that they are too rigid. We feel that they should be deleted.

On page 5 we make a suggestion dealing with clause 1 that a new paragraph be added dealing with the appeal board provision. We would like a new section to be added which would read as follows:

"(d) Each mode of transport, as far as practicable, applies equitable rates and conditions, under similar circumstances, to all users."

Our main point is the provision of an appeal board to deal with captive traffic.

We also have two exhibits, the first one being an example of rates to be fixed on captive traffic. That has been prepared by our consultant, Mr. Paul. The other item is the transportation policy for Canada which was just adopted by the annual meeting of the league on February 23rd. It ties in quite interestingly with this proposed Bill No. C-120.

We would be pleased if you would direct your questions to either Mr. Paul, Mr. Cunningham or to myself.

Mr. STEWART: Mr. Chairman, I would like to refer to the example of rates to be fixed on captive traffic. There is a heading down the side of the page which reads: "Percentage reduction for larger cars" which shows, as I understand it, that the railway company would have an advantage over truck competition in commodities involving large loadings. Is that correct?

Mr. CUNNINGHAM: The word "larger" quite possibly should have been heavier load.

Mr. STEWART: Yes. You are suggesting that this advantage would be very considerable by the time you get two cars loaded over 100,000 pounds?

Mr. CUNNINGHAM: By using the formula as proposed under section 335 and using the variable costs plus 150 per cent we are attempting to show in this exhibit the scale of rates that would result at the minimum. We do not have this in the exhibit but we just took it out of one of the present tariffs and we arrived at a rate for distance of \$1.01. That is the closest we can get to this dollar that we show as a fixed rate. The present published rail rates in cents per 100 pounds are: 101 for 30,000 pounds, 79 for 45,000 pounds, 77 for 55,000 pounds, 75 for 70,000 pounds, 73 for 90,000 pounds, 71 for 110,000 pounds and 69 for 120,000. You can see that by using this formula, these rates would result in much higher rates than the railways had presently published. This is what we were attempting to show by this statement.

Mr. STEWART: Yes. Thank you very much.

Mr. MACDONALD: Mr. Gracey, it might be useful if we had on the record some indication of the membership association. Do I take it that your membership is primarily industrial firms who have cause to use the transportation facilities in a major way?

Mr. GRACEY: Yes, sir. We have approximately 1,200 traffic management personnel representing 550 industrial and commercial concerns. We are the shippers and we use all modes of transportation.

Mr. MACDONALD: Therefore, the transportation companies themselves are not as a rule members of the association?

Mr. GRACEY: No. They are not eligible for membership.

Mr. MACDONALD: And where would your membership be centralized. Would it be central Canada or right across Canada?

Mr. GRACEY: Approximately half of our membership is from Ontario, approximately 25 per cent in Quebec and the east and approximately 25 per cent in western Canada. This follows the industrial development of our country.

Mr. MACDONALD: Did you make a presentation as a league to the royal commission?

Mr. GRACEY: Yes, we did.

Mr. MACDONALD: Thank you.

Mr. REGAN: I wonder if I might ask Mr. Gracey to elaborate on the submission made on page 3 with reference to the proposed provision for the new bill doing away with any declaration that the railways must not discriminate. Would you like to deal with this question of discrimination as regards what harm you see is likely to develop; that there would be no prohibition against discrimination contained in the new bill.

Mr. PAUL: Yes, Mr. Chairman. That is one of the things that our members are quite apprehensive about, the fact that if this new bill is amended as proposed there will be no safeguard whatever against the railways practising discrimination. It is for that reason that we are proposing in our amendment that clause (d) be added to the national transportation policy so that any regulatory board will know the principle on which they should be guided. In



other words, we are asking parliament to set down the principle that the shippers should be treated equitably under similar circumstances.

Mr. REGAN: Could you illustrate by way of example how you feel discrimination might be applied in the absence of such prohibition?

Mr. PAUL: It could be applied in many ways. It could be applied in favour of large shippers as against smaller shippers. One of the factors that was discussed under this item was that one of our railways, the C.P.R., now has quite a controlling interest in other areas of industrial activity and it would be possible for them to give preference or preferential treatment to companies in which they are interested. Now that is a possibility. We are not implying that this is going to be the result but there are these areas where we feel there should be a safeguard.

As has been pointed out in our brief, this so-called safeguard in section 370 is not sufficient, we do not think, to take care of that. We feel that with a guiding line in the national transportation policy we could then safely leave all the rest of the regulations to the transport commission or some other court of appeal.

Mr. CUNNINGHAM: If I might add to that. In connection with this section, the railways would be free to set rates, set prices, without any controls; whereas we, as an industry, have the combined legislation, we have price control. We feel that this appeal board would act primarily as a policeman so to speak, where we would have some body to appeal to if we felt we were unjustly discriminated against. We are not concerned too much that the railways will misuse this power. We just feel that 10 years from now it may be that there will be a change in people, a change in attitudes. It takes quite some time to amend legislation. We feel we would like to have this appeal board in case any shipper and member of our league wishes to appeal.

Mr. REGAN: Do you see any danger of discrimination among users? Do you see a danger of discrimination of the railways arbitrarily deciding that certain cargoes would use certain ports of entry and exit and others would use other regions? Do you see this as another form of possible discrimination?

Mr. GRACEY: In exactly what way? Do you mean Canadian ports?

Mr. REGAN: Suppose the railways decided it was in their best interest to have potatoes shipped through one particular area, through one particular port, could they not then quote such a rate on potatoes to that particular port that it would be discriminatory against other areas, other ports?

Mr. CUNNINGHAM: I guess we would have to say yes, they could practise discrimination. However, we do not think they would. We think they would encourage the long haul as much as possible through Canadian ports and we also think that competition between the C.N.R., the C.P.R., and the trucking industry would overcome any discrimination between some of the Canadian ports.

Mr. REGAN: Thank you.

Mr. PASCOE: Mr. Chairman, one of the witnesses, I am not sure which, said that this Canadian Industrial Traffic League had about a quarter of its membership in the west.

The VICE CHAIRMAN: Mr. Gracey pointed this out.

Mr. PASCOE: I take it that your league is mostly concerned about rates, and so on. Do you not have any opinion on branch line abandonments in the west? You do not mention that at all. That is one of the big things in this bill, Clause 72. Have none of your members expressed any interest in it?

Mr. GRACEY: We are not opposing any change in the present arrangement of Bill No. C-120 for branch line abandonments.

Mr. PASCOE: None at all?

Mr. GRACEY: No.

Mr. ORLIKOW: I would like to direct a question to the delegation in regard to some of the things which are in this submission of transportation policy in Canada.

Clause 3 is headed government ownership versus private enterprise. The league says it firmly believes in the principle of free, private enterprise, in the transportation industry as the best method of obtaining efficient and progressive transportation. Then it goes on to say that government ownership of transportation equipment and facilities should be limited to those instances relating to national development and pioneering where private enterprise cannot serve because of high initial and development costs. Does not the league feel that this is a case where one has his cake and eats it too; in other words, if private enterprise can make money in transportation it should have the business but when it cannot and there is some risk or loss involved, then the government should take over. In other words: heads, you win; tails, I lose.

Mr. GRACEY: May I say, under item 4, we believe that the free enterprise system is the most effective way, but it also contains the right to fail; otherwise, it is subject to undesirable restraints. But, we know from history that our country has been built by the government pioneering initially and developing the country. But, once the country has been developed and once the resources are tapped, then we should turn it over, in our opinion, to private enterprise to the greatest degree possible.

Mr. ORLIKOW: With regard to clause 4, have we ever had free enterprise in the transportation industry in Canada, even before Canada was a country? Has there not always been government subsidy, regulations, directions and financing?

Mr. GRACEY: That might be true to a certain extent but there are many firms, which are private enterprisers now, which are operating in the transportation field.

Mr. ORLIKOW: But are they not all subject to regulations?

Mr. GRACEY: They are subject to regulations. But, we are all subject to regulations of some kind or another. But, there is free enterprise; many of the trucking companies are companies formed by individuals who start into business. Certainly they use government facilities but they have to pay taxes of some sort for the use of these facilities. There are privately owned aviation companies which use government facilities but they have to pay for the privilege of using them. Also, there are shipping companies of the same type.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is any other transportation organization free to enter the field at any time? Are they not subject to governmental decisions whether or not they should be granted a license?

Mr. GRACEY: That is true.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): In fact, the government farms out certain privileges to private enterprise.

Mr. GRACEY: Yes.

The VICE CHAIRMAN: Would you proceed, Mr. Fisher.

Mr. FISHER: From clause 3 of the presentation I would take it that there is not any sympathy in the Canadian Industrial Traffic League for the Canadian Trucking Association? Do I read that into your recommendation?

Mr. CUNNINGHAM: When our committee was considering this particular section we felt this was an amendment to the Railway Act and, needless to say, we are in sympathy with the trucking industry in Canada, and we are



doing our utmost to build a sound trucking industry. But, it was the feeling of our members that if every rate or service that the railways desired to publish to assist the shippers in Canada could be opposed or delayed or in any way hampered by opposition of the trucking industry, when perhaps they could not provide this type of service or were not directly interested but on general principles they wished to oppose it, then we felt it was not in the best interest of the railways or shippers in Canada. For this reason it is felt they should not have the right to oppose any rail rates or services.

Mr. FISHER: Let us take a problematical situation where there could be a considerable difference of opinion on what a captive area is or what is a captive shipper. I gather from talking to the truckers that there have been disagreements in this particular area. In the determination of rates the truckers may have a very, very considerable, almost a life and death, interest in something the railways do, and yet you would block them off from making any representation of a direct kind. I suppose their only way of putting their case would be indirectly to the cabinet or the ministers involved.

Mr. CUNNINGHAM: Of course, we can argue a great deal about what is captive traffic and our definition of it; but, if the railways, in their wisdom, can capture some traffic away from the trucking industry which the trucking industry may consider to be captive traffic then, obviously, in our opinion, it was really not captive traffic; and if the railways can provide the service at a cost that is satisfactory to the shipper, then this is the way the traffic should move.

Mr. FISHER: Well, I cannot disagree with that; I am against beating my neighbour's wife. But, let us look at it from another point of view. The MacPherson commission—and the recommendations for amendments to this act are based upon its report—has the theme running through it of the beauty of the present traffic situation in Canada, and the reason they make the recommendations is really that there are so many competing modes of traffic being carried on that, in a sense, you want to insulate the railway mode from the competing modes in so far as representation is concerned.

Mr. CUNNINGHAM: Of course, as you know, the trucking industry in the United States has the right to oppose or appeal to the Interstate Commerce Commission any rail rates, and the railways can do the same against any truck rates, but this has not proven too successful. This has resulted in rates being delayed as much as two or three years waiting for hearings appeals, counter-appeals and so on. We feel this would not be in our best interest if this was allowed to happen.

Mr. FISHER: I just want to say that in the main I disagree with this. It seems to me when we are dealing with recommendations, taking about an integrated system of transportation, flexibility and competing modes, then it is time we had a regulatory authority that was able to listen to representations of all the modes. I think the American example is different by the very size and complexity of their transportation market and the tremendous variety of carriers in terms of ownership and backing. It seems to me it would be much simpler here and very easy for this board to set up rules, which would allow a sort of nominal representation. What is the difference between the set-up you have in Quebec, where the C.N.R. trucking outfit has been before the courts a couple of years and the arrangement in the United States? It seems to me that we cannot look at rates in this country in any over-all way without seeing where the trucking interest stands and, for example, where the water shipping fits in.

I know the rail-water rates would come under this; it has been the tradition that they would come under the board. But here again, we have some new concepts developing in water shipping. I am thinking of the new kind of packaging that is being developed and the rail-water-truck co-ordination.



One of the things that obviously will happen is that as the railway companies move in to this traffic with their integration of trucking interests and water interests, the independent truckers, or the non-railway owned truckers, will be put in a tougher and tougher situation.

At the very least, if one is paying more than lip service to free enterprise, one would say they should have the right to come before a board. I happen to represent a party that is not always doing obeisance to free enterprise, but if this is the general rule of the game to which one subscribes, why not make it fair for everybody?

Mr. CUNNINGHAM: We would if the trucking industry were subject to the same control by the board of transport commissioners as the railways. This is an amendment to the Railway Act. The board has control only over the railways.

I think we would subscribe to your suggestion if the trucking industry were also regulated and controlled or had to file their rates or tariffs with the federal transport board.

Mr. FISHER: What do you feel about all trucking between provinces coming under this particular board?

Mr. GRACEY: We state in our national policy, under item 9, that the league believes that the federal government should regulate interprovincial and international common carriers in the areas of public safety, uniform documentation and liability.

That is our statement.

Mr. CUNNINGHAM: In another place we indicate that carriers should file their rates. Therefore, in effect we say that for interprovincial trucking we are in favour of control by a federal body, just as the railways are controlled by a federal body and as the water carriage industry is controlled by a federal body.

Mr. FISHER: If this particular section of the bill spelled out a means whereby representation by the trucking industry could be made, not by the individual carrier but by a recognized national association, at least they would have the opportunity to come forward and express their views. Would that be agreeable?

Mr. CUNNINGHAM: We would not accept that unless the trucking industry were controlled by a federal board of transport commissioners. This national trucking association could in effect accomplish, we feel, the same delay in tactics as an individual trucker.

Mr. FISHER: Perhaps this is a hard question. Has your league come to any opinion about the horizontal integration that is taking place in the transportation industry?

Mr. CUNNINGHAM: We are in favour of and are supporting this to the utmost. We advocated and suggested this in our brief to the MacPherson royal commission.

Mr. FISHER: You want horizontal integration and yet you are not prepared to be even a bit more flexible so far as the board is concerned. You are not prepared to go so far as to suggest a master board for all forms of transportation?

Mr. CUNNINGHAM: We do not feel it would be fair to the railways or to the shippers who use the railways to allow another mode of transport, that is not in any way controlled by this federal board, to come in and delay the railways in their efforts to secure business. The railways do not have the right to appear before the provincial boards to stop the truckers from publishing a rate or a service that they may wish to put in in order to capture some traffic from the railways. We feel it would not be fair to the railways to do this. If

they were on an equal footing we would not oppose it; we would be in favour of it.

Mr. FISHER: I quite agree that there is much greater flexibility generally open to truckers to adjust rates, and I must confess my opinions rest a great deal upon the long haul trucking rates. They tend to run parallel with and, it seems to me, just below the rail umbrella a great deal of the time.

I have no more questions.

The CHAIRMAN: Are there any further questions?

Mr. Gracey, Mr. Cunningham, Mr. Paul, I want to thank you on behalf of the committee for presenting your brief and for your attendance here today. You have been perhaps a little more fortunate than some others in regard to the questioning at the end of it, and I am sure this speaks well for the brief.

Again, I want to thank you for your attendance here today.

Members of the committee, we have with us now the delegation of the Maritimes Transportation Commission. To my immediate right is Mr. A. Gordon Cooper, Q.C., counsel. Next to him is Mr. Craig S. Dickson, executive manager; and on his right is Mr. R. M. F. Armitage, secretary.

It was agreed at our last meeting that, since the brief has been in our hands for a week, we would take the brief as submitted by the Maritimes Transportation Commission as read. However, Mr. Cooper and his delegation will deal with the highlights of their brief by reading a supplementary submission, which will be submitted by the clerk.

I will ask Mrs. Rideout to take the Chair at this time.

Mr. BEAULÉ: Madam Chairman, there is no copy of the submission in French.

Mr. A. GORDON COOPER, Q.C. (*Counsel, Canadian Industrial Traffic League*): We have just had exhibit five in our hands for a very few days and we have not had an opportunity to get a French translation done. As a matter of fact, I might say with respect to the main submission which came to us in the English form a week or two ago, we have made every effort to get a French translation and we hoped to have one here today, but we have not been able to do it, because of the difficulty, frankly, in getting a translator in Moncton to do the job for us. I can assure you, Madam Chairman, that we have, respecting the main submission, made every effort possible—because we realize the importance of having a French translation—to have one here. But we have not been able to do so with respect to the supplementary submission. We simply have not had the time, because exhibit five has not been in our hands for a sufficient length of time to provide a French translation. Therefore I would beg for the indulgence of the committee.

Mr. COWAN: Madam Chairman, if somebody wishes to submit a brief in English only, surely that is his right. This is not a government organization, and we do not have to have everything provided in both languages.

The ACTING CHAIRMAN: I think Mr. Beaulé will go along with the arrangement we have now. We have a translator here who will give us a simultaneous translation in French.

Mr. BEAULÉ: I wanted to know if it was a question of privilege.

The ACTING CHAIRMAN: I think we realize the importance of it. Since this is my first time as Chairman of a committee and particularly of the railway committee, I hope you will bear with the Chair.

Mr. BEAULÉ: Agreed.

The ACTING CHAIRMAN: Thank you. I now call on Mr. Cooper to continue.

Mr. COOPER: Thank you, Madam Chairman; I would like first to make a few introductory remarks concerning the Maritime Transportation Commis-



sion. That commission is a body authorized and supported by the governments of the Atlantic provinces. It was formed in 1925, and except for a period of four years in the early 1930's, it has been in continuous operation since that time. The commission is affiliated with the maritime provinces board of trade, and its *raison d'être* is to secure improvements in the economy of the Atlantic provinces in the particular field which is its responsibility, namely, transportation.

The submission presented to you today has the approval of the premiers of the provinces of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland, and in addition it has been approved by the members of the Maritime Transportation Commission appointed by the government, and by the maritimes board of trade. The members of the commission so-called, in effect act as a board of directors of the commission. They are permanent business and professional men of the Atlantic provinces representing the region's many economic interests.

As the Chairman has said, there is present here today Mr. Craig S. Dickson, executive manager of the commission, and Mr. R. M. F. Armitage, secretary of the commission. Mr. Dickson will be prepared to deal with questions which members of the committee may wish to put to him on technical aspects and indeed on other aspects of the submission, and in particular, Mr. Dickson will deal with the appendices to the submission.

I would like now, Madam Chairman, to turn to the submission and merely mention some of the points which are made in it.

Mr. PASCOE: Before we proceed, Madam Chairman, has it been agreed that this submission will be printed in the report? Do we not have to agree to it ahead of time?

The ACTING CHAIRMAN: It was agreed to, before.

Mr. COOPER: I refer to the submission at page 1 where national policy and national transportation policy are mentioned in the light of the MacPherson royal commission report, and particularly to paragraph 3 which makes the point that this submission is particularly concerned with that manifestation of national policy contained in the Maritime Freight Rates Act.

On page 2, historical aspects of transportation in the Atlantic provinces are dealt with from the time of the first expression of the lower level of rates in the maritime provinces in the Intercolonial Railway rate structure, and on to the passage of the Maritime Freight Rates Act in 1927.

On page 3 transportation developments are reviewed in the light of the Maritime Freight Rates Act, and on that page appendices 2 to 7 are referred to. It is realized that the Maritime Freight Rates Act is not repealed in whole or in part by Bill No. C-120; but the brief or submission on pages 4 and 5 makes the point that it is the contention of the maritime provinces that the relative advantage which the maritime provinces, now the Atlantic provinces obtained under the Maritime Freight Rates Act has not been maintained, and that the development of transportation in the maritime provinces has deteriorated and has continued to deteriorate relative to shippers in other provinces. That is really the central point of the submission.

It is that situation which gives maritime transportation such concern. On page 7 reference is made in paragraph 27 to the submission of the Right Hon. Lester Pearson, Prime Minister of Canada, when he stated in the House of Commons on October 20, 1964, that a special examination into problems relating to the maritime transportation and the Maritime Freight Rates Act was to be undertaken. I think, Madam Chairman, it can be said beyond all measure of doubt, therefore, that the special problem of the Atlantic provinces has been recognized, and that an inquiry will be conducted into this problem in order to determine what can be done respecting our position.



Therefore in conclusion, and as stated on page 8 of the submission, it is submitted that the rate freeze now in effect under the Freight Rates Reduction Act should be maintained for Atlantic provinces rates until the special examination referred to above has been conducted, completed, and acted upon. Therefore, Bill No. C-120 should be amended by adding a clause thereto to the effect that notwithstanding anything contained in the bill the freight rates in effect as of January 1, 1965, under the Freight Rates Reduction Act for the movement from, to, and within the select territory as defined in the Maritime Freight Rates Act, shall not be increased.

With your permission, Madam Chairman, I would now like to move to the supplementary submission.

It is so closely connected with the main submission that I would like to have it before the members of the committee before questions, which may be directed to us, are asked.

Supplemental Submission of the Maritimes Transportation Commission  
to the Standing Committee on Railways, Canals and  
Telegraph Lines Respecting Bill No. C-120

1. The Maritimes Transportation Commission makes this supplementary submission with respect to Exhibit V entitled "Maritime Rate Preference Under Bill No. C-120" prepared by the Department of Transport under date of March 10, 1965.

2. Exhibit V refers to the first paragraph in the report of the Duncan Commission on maritime claims and states:

That commission found that the preferential position of the maritimes in respect of rates on goods moving within the maritimes, which shippers in that area had enjoyed for many, many years, had been reduced by successive rate increases and should be restored.

Section 7 (formerly section 8) of the Maritime Freight Rates Act reads as follows:

7. The purpose of this act is to give certain statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia and Prince Edward Island and in addition upon the lines in the province of Quebec mentioned in section 2, together herein after called 'select territory', accordingly the board shall not approve nor allow any tariffs that may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

3. It is submitted that the principal purpose of section 7 was to give an advantage to maritime shippers relative to persons or industries located elsewhere than in the select territory.

I may interpolate at this time that these references to what happened in 1927, and some years after that, are to the maritimes, but of course Newfoundland now is under the provisions of the Maritime Freight Rates Act and therefore, perhaps, when speaking of the present—certainly when speaking of what happened since 1949—you will understand that the reference should be to the Atlantic provinces.

Exhibit V states that the railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate but will still be subject to section 7 and that the railways will have to consider whether any rate action taken elsewhere will "destroy or prejudice" advantages given

shippers in the select territory "in favour of persons or industries located elsewhere." The exhibit then continues:

This will be a question of fact and while it does not mean that every maritime rate must be kept 30 per cent below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in section 7. In any case it will be open to shippers in the select territory to complain to the board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that maritime shippers continue to enjoy rate preferences.

4. It is the submission of the Maritimes Transportation Commission that in fact the relative advantage intended to be given to shippers from the select territory by section 7 has in practice and in the competitive environment which has developed since 1927 proved to be illusory in the light of the judgments in *Province of Nova Scotia et al—Maritime Freight Rates Act—Tariffs (1936)* 44 *Canadian Railway Cases* 289 and on appeal to the Supreme Court of Canada (1937) 46 *Canadian Railway Cases* 161.

This case usually and popularly is referred to as the potato case.

5. The facts of that case are, briefly, that in order to meet truck competition the railways reduced freight rates on potato shipments in certain areas in Ontario and also in certain areas in Quebec outside the select territory as defined in the Maritime Freight Rates Act. The Transportation Commission of the maritime board of trade—as this body was then called—and the Governments of the maritime provinces applied to the board for a reduction in rail rates on potatoes from select territory to Ontario and Quebec to correspond with the reductions within Ontario and Quebec, effective under such competitive tariff.

In other words, what was asked for was preservation of the relative advantage which the maritimes considered they had been given under the Maritime Freight Rates Act.

6. It was made clear that the question of the rates on potatoes were only in the nature of a test case and that the real claim of the applicants was that they were entitled to reductions upon all shipments from the maritime provinces to points in Canada where motor truck competitive rail tariffs were in force and more specifically in respect of all produce of the maritime provinces.

7. The real claim of the applicants failed despite the fact that Chief Commissioner Guthrie held that the purpose and object of the Maritime Freight Rates Act does apply to competitive tariffs established by railway companies between points outside the "select territory". In effect the real claim failed because the board held that:

- (1) the only power of the board was to disallow such competitive tariffs;
- (2) the board had no power to order reductions in rates on maritime products moving from the select territory in circumstances where competitive tariffs were established outside select territory by the railways to meet truck competition.

8. Chief Commissioner Guthrie then proceeded to deal with the specific claim for reduction in rates on potatoes shipped from select territory as a question of fact and found that in fact there had been no prejudice or disadvantage under section 7 suffered by potato shippers because of the establishment of the competitive tariffs in question. His conclusion in this respect is stated at page 306:

In my opinion the applicants have failed to establish the competitive tariffs on potatoes, which form the subject of this application, have



resulted either in the destruction of, or to the prejudice of the advantages provided to shippers in the maritime provinces under the Maritime Freight Rates Act in favour of persons or industries located elsewhere than in the select territory.

That is what he found as a question of fact on the evidence which was submitted with regard to the submission on potatoes.

The evidence submitted by the various parties represented establishes to my satisfaction that in the matter of potato shipments in Ontario the whole difficulty has arisen through motor-truck competition with the railways. Shipments of potatoes in Ontario by rail to Ontario points have become almost negligible while motor-truck shipments continually increase. The competitive tariffs established by the railways have had no effect whatever in respect of potato shipments from the Maritime provinces to Ontario points. Cancellation of these potato rates would not improve the position of maritime shippers in any degree, and would only result in depriving the railways of the small portion of the transportation of potatoes in Ontario which they have been able to retain even under a substantial reduction of rates.

9. The Supreme Court of Canada dismissed the appeal of the province of Nova Scotia et al from the judgment of the board of railway commissioners.

10. As a result of the potato case so-called maritime shippers as a body cannot obtain rate reductions relative to reductions elsewhere established by competitive tariffs. The relative advantage intended for persons and industries in the maritimes (and now for the Atlantic provinces) has therefore not been maintained and it is submitted that the intent of section 7 has been thwarted.

11. It is stated in Exhibit V that it will be open to shippers in select territory to complain to the board if their advantage is destroyed or prejudicially affected by the railways rate-making policies as was the case in respect of the potato shippers in the potato case.

If a shipper who takes upon himself the very considerable burden of applying to the board succeeds in establishing prejudice or disadvantage to himself under section 7, which the potato shippers failed to do and which is a question of fact, the only remedy is cancellation of the competitive tariffs in question, not a reduction in the applicant's rate, and it is submitted that in the present competitive environment that remedy would be of no use to the shipper applicant nor to the railways but only to the trucks for the reasons given by chief commissioner Guthrie above quoted.

12. It is therefore quite unrealistic to say that the Atlantic provinces shipper has any effective means of invoking Section 7 to overcome the effect on him of competitive tariffs established outside the select territory by the railways to meet truck competition.

13. Exhibit No. 1 filed by the Department of Transport shows a downward trend in the percentage of traffic measured in revenue and carloads which moves at non-competitive class and commodity rates in the several freight rate regions of Canada. While the maritime territory, like the other territories, has had a decrease in the amount of traffic moved at non-competitive class and commodity rates, it still has the largest percentage of non-competitive traffic of any territory of Canada.

14. What Exhibit No. 1 fails to show is the effectiveness, or depth, of competition in the several territories. The showing of a percentage growth in the number of carloads, or the revenue produced by such carloads, of maritime traffic moved at competitive and agreed charge rates does not show conclusively



whether competition is effective in reducing rail rates or whether the competition is of a shallow type which has been able to make only minor reductions in the existing maximum rates.

15. The submission of the Maritimes Transportation Commission is that while the development of competition since 1949 has produced some minor rate reductions for Atlantic provinces' traffic—and to that extent may have overcome this relativity disadvantage of which I have spoken—it has been far less effective in reducing maritime rates than rates in other parts of Canada, particularly Ontario and Quebec. It is not possible to show in detail the depth to which competition has been able to reduce rates in the several regions of Canada. It is submitted, however, that appendices 2-7 to the main submission of the Maritimes Transportation Commission, particularly appendix 5, illustrate that competition for maritime traffic has not been as effective in reducing rail rates as in Ontario and Quebec. All of which, Madam Chairman, is respectfully submitted by the Maritimes Transportation Commission.

At this point may I ask Mr. Dickson to deal with the appendices to the submission as it is necessary to understand the material for an appreciation not only of the main submission but also of the supplementary submission.

The ACTING CHAIRMAN: Mr. Dickson.

Mr. CRAIG S. DICKSON (*Executive Manager, Maritimes Transportation Commission*): Thank you, Madam Chairman, and members of the committee.

I will deal first with appendix No. 1. Appendix No. 1 is a reproduction of a number of charts which appeared in a study entitled "Railway Freight Rates in Canada". This study was prepared by R. A. C. Henry & Associates, consultants, for the royal commission on dominion provincial relations in 1939. These charts show the relationship of class rates as between the several regions of Canada for several classes of traffic and for several representative distances. The Ontario-Quebec class rate scales are the base represented by the line at zero. It will be observed that the maritime line—the line represented by the Maritime class rate scales—was lower than the Ontario-Quebec line until about 1923. After the passage of the Maritime Freight Rates Act in 1927 it became lower by virtue of national policy expressed by the national freight rates act. These charts show that historically except for the 1923-27 period the maritime class rate scales have been lower mile for mile than rates in other parts of Canada as a result of government policy.

Perhaps, in order to better understand what these rate scales mean in practice, we might look at a comparison of a specific rate for the purpose of illustration.

Prior to 1912, when the first indication of increases in the maritime rate scales came along, the fifth class rate, which might be considered as an average carload rate for many manufactured products, from Halifax to Montreal was 25 cents per 100 pounds. The fifth class rate at that time from Toronto to Montreal was 22 cents per 100 pounds. So this favourable rate structure on the Intercolonial at that time provided very small differentials, to the disadvantage of the maritime shipper in relation to his competitor located in central Canada.

Now, Madam Chairman, may I turn to appendices 2 to 7 and add a word to explain what these charts are attempting to show.

Appendix 2 shows that for the movement of canned meat products, Summerside, Prince Edward Island had an advantage over its competitor at Port Dover, Ontario, in the Montreal, Quebec market of 5 cents per 100 pounds in 1930. With the development of competition from Port Dover over the years, and more particularly since 1953, coupled with the post war rate increases, this rate advantage of 5 cents per 100 pounds has become a disadvantage of

35½ cents per 100 pounds. In other words, the Summerside shipper is now 40½ cents worse off than in 1930 in relation to his competitor at Port Dover.

Appendix 3 shows that for the movement of steel bars, Amherst, Nova Scotia had an advantage of up to 30 cents a ton in relation to Montreal in the Quebec market in the early 1930's. With the development of truck competition coupled with the post war rate increases between Montreal and Quebec, this advantage has become a disadvantage of \$3.20 per ton. In other words, the Amherst shipper is now \$3.50 per ton worse off in relation to his competitor than he was in 1934.

Appendix 4 shows that the Sackville, New Brunswick manufacturer of stoves and ranges had an advantage of 20 cents per 100 pounds in the Montreal market in relation to his competitor at Hamilton, Ontario when the Maritime Freight Rates Act was passed in 1927. With the phenomenal growth in competition between Hamilton and Montreal, coupled with the application of the post war increase largely in full, to the Sackville traffic, the rate relationship between the two manufacturers has been distorted until the Sackville company is now at a disadvantage of 21 cents per 100 pounds. In other words the Sackville stove manufacturer's rate position in the Montreal market has been worsened by 41 cents per 100 pounds since 1927.

Appendix 5 shows that a Nova Scotia canner of apple products had a rate relationship with his competitor at Thornbury, Ontario in the Ottawa market which left him with a disadvantage of 16 cents per 100 pounds in 1937. Following various changes both upward and downward, the disadvantage of the Nova Scotia producer is 35½ cents per 100 pounds or more than double what it was in 1937. It should be noted that the rate of 78 cents from the Annapolis Valley today is an agreed charge presumably to meet competition. Because of the distance involved, I submit that increased competition is not going to reduce the Annapolis Valley rate to its original relationship with Thornbury. In fact, I doubt that increased competition will reduce it any at all—it may only keep it from advancing rapidly. It should also be noted in respect of Appendix 5 that the rate from Thornbury is lower today than it was in 1937. It has escaped all post war increases!

Appendix 6 shows the relationship of rates on basic iron and steel products from Sydney, Nova Scotia to Montreal, Quebec versus from Hamilton, Ontario to Montreal, Quebec. It shows that the gap between the Sydney company and the Hamilton company has grown over the years, particularly during the period when navigation on the St. Lawrence seaway is possible.

And finally, appendix 7 shows the effects that horizontal freight rate increases have had on rate relationships. The rates shown in this appendix are those applicable on wall plaster from Hillsboro, New Brunswick and from Montreal, Quebec to Toronto, Ontario. In this appendix both rates have been increased by all authorized horizontal freight rate increases. Because the Montreal rate was lower originally (actually 14 cents per 100 pounds) it has not advanced as many cents per 100 pounds as the New Brunswick company's rate has. In this case the New Brunswick company's disadvantage of 14 cents has grown to 21 cents and were it not for the increased rate of assistance provided by the Maritime Freight Rates Act in 1957 the spread would have increased to 24 cents instead of 21 cents. Thus, while both these rates have taken the same percentage increase, it is the relationship of rates in cents per 100 pounds or cents per unit of traffic that is the meaningful figure for shippers or receivers.

The ACTING CHAIRMAN: Thank you, Mr. Cooper and Mr. Dickson.

Mr. Stewart has indicated that he wishes to put a question.

Mr. STEWART: Madam Chairman, I would like to begin by congratulating the Maritimes Transportation Commission for a very well organized presenta-



tion to us today. I think those members of the committee who do not come from the Atlantic provinces, and who do not therefore bring to the committee a background of understanding in this matter, undoubtedly will realize how justified are the complaints of the commission from the representations made here this morning.

There are a few questions I would like to ask; and first I would begin by asking the representatives of the commission if they think it would be possible to maintain statutory advantages, such as those set forth in the Maritime Freight Rates Act, in a transportation environment parts of which are increasingly competitive.

Mr. DICKSON: Mr. Stewart, if I may repeat your question to get it clear in my mind was this: Is it possible for the intended statutory advantages of the Maritime Freight Rates Act to be retained in a transportation environment which is competitive in many ways and yet is not evenly competitive throughout the nation. As the Maritime Freight Rates Act is drafted now, it is not possible, or we would not have been able to have presented the evidence we have shown to you.

I would not want to suggest that it is not possible to restore the intended statutory advantages of the Maritime Freight Rates Act in that type of environment. I think men of goodwill and ingenuity should be able to find a way by which the intended position of the maritimes could be maintained in a competitive environment of uneven degree.

Mr. STEWART: In other words, your answer to my question would be yes, is it possible?

Mr. DICKSON: Yes, I think it would.

Mr. COOPER: May I add that undoubtedly the ways and means of accomplishing this result would be one of the central points in the inquiry which the Rt. Hon. Lester B. Pearson has said would be made into the problems relating to maritime transportation and the Maritime Freight Rates Act.

What we are asking for in our submission is that our rates, or those rates under the Freight Rates Reduction Act, be maintained at that frozen level until this question has been explored in the special examination which will be made.

Mr. DICKSON: May I add one other comment there, Mr. Stewart?

At the top of page 8 of our main submission we say "such an examination"—a special examination—"must have as its primary objective the restoration, in this competitive transportation era, of the national policy respecting transportation for this region of Canada that was originally expressed", and so on.

Mr. STEWART: I would like to ask, Madam Chairman, how the commission foresees that the formula laid down in Bill No. C-120 for fixing the maximum rate to be applied to captive traffic would be affected by the reduction prescribed by the Maritime Freight Rates Act.

What I would like someone to do is to go through the administrative process by which the maximum rate would be attained, and then the process by which the maximum rate which ordinarily would apply would be affected by the terms of the Maritime Freight Rates Act.

Mr. DICKSON: Well, Mr. Stewart, Bill No. C-120 provides that maximum rates are subject to the Maritime Freight Rates Act. I shall try to illustrate the mechanics by giving a maximum rate and what might happen to it, because that is what I think you are interested in.

Let us suppose that a shipper goes to the board of transport commissioners. If he can establish all the requirements which are now provided for him to meet in the bill, and it can be determined that he is entitled to a maximum rate, then presumably the board of transport commissioners will fix a maximum



rate for him. Suppose that the maximum rate was fixed at \$1.00. If it is for a movement between points within the maritimes, then as I read the bill, and I hope I read it correctly, the maximum rate of \$1.00 so determined by the board shall be reduced by 20 per cent under the Maritime Freight Rates Act.

If the \$1.00 rate applies from a point in the maritimes, in the Atlantic provinces; that is, in the select territory, to be technically correct, to a point outside select territory elsewhere in Canada, then the maximum rate so determined by the board would be reduced by 30 per cent on that portion of the rate which is within select territory. You will never have a rate reduced by 30 per cent, because, as those of the members who are familiar with the Maritime Freight Rates Act will realize, the 30 per cent shall apply only on that portion of the rate within select territory.

So, in our hypothetical example, to illustrate it more graphically, if it originates within select territory or 500 miles from the boundary to a destination point, let us say, 500 miles on the western side of the boundary, the reduction would be simply 15 per cent of the entire rate.

Mr. STEWART: I wonder if Mr. Dickson realizes that in describing the process he has at no point made reference to the rates prevailing elsewhere in Canada. In other words, Mr. Dickson, I am asking you if section 7 of the Maritime Freight Rates Act has now lost all practical significance. Madam Chairman, I was interested to see if at some point in describing the process he would attempt to relate the rate to be applied in select territory to a rate to be applied elsewhere. It is quite clear that this expert in transportation matters feels that the significant section 7 of the Maritime Freight Rates Act has been completely eradicated; in fact, it is eradicated so far that in his thinking it is not to be applied at all.

Mr. DICKSON: What you are saying is that I failed to answer the second part of your question, and indeed I realize that I have. I feel that the maximum rate scheme of the bill will further erode what little protection we have outlined in our supplementary submission. As you will gather, this is very difficult. Although I would not be quite prepared to say that it might not give us any protection, there might be an isolated instance where you could be prepared to say so, but I just cannot picture what that might be. It might at any time that the railway would indicate that there was truck competition somewhere; within such circumstances which are in effect in the future it might provide effective protection. I think, too, the Maritime Freight Rates Act envisages the relationship of what might be called non-competitive rates either class, or commodity rates, and that this type of rate, although not necessarily disappearing completely as a result of the bill, is sort of going to flow away, or go away like snow in the spring. There will not be these guideline rates to which maritime rates have been related in the past.

Mr. STEWART: I am trying to ascertain why the Maritime Transportation Commission is so unhappy about this legislative proposal. Am I correct in understanding that because of the decision made in the potato case, it would now be fair to say that the board of transport commissioners has decided that generally speaking it has no power to invoke the remedies, which will be necessary to maintain the statutory advantages laid down in section 7?

Mr. COOPER: That is correct.

Mr. STEWART: That is what you are losing now in the new legislation.

Mr. DICKSON: The board has no power to invoke the protection under section 7 where competition is shown. Of course, as more and more competition has been shown between points particularly within central Canada, that power has become less and less able to provide what it was intended to provide.

Now, Mr. Cooper's comment was that your assumption was correct, but that it has to be qualified with the fact that when there is competition shown under the existing schedule, under the existing scheme of section 7 today—and as you would appreciate the philosophy of the bill is increasing competition, more realized competition—section 7 of the act becomes less and less effective.

Mr. STEWART: You people believe that the statutory advantages established under the Maritime Freight Rates Act have been lost sight of, and you now fear that sight of those advantages will be lost irrevocably.

Mr. DICKSON: Yes.

Mr. COOPER: Yes, I would say that that was correct. We are moving into and within a more intensive area of competition. As we move into the area where competition is the governing factor, as I understand it, under Bill No. C-120 we are fearful that our position will even further deteriorate as more and more competition derives, and so on and so forth, in points and in areas out of select territory. We want to preserve the position we presently have with respect to these rates under the Freight Rates Reduction Act, and until at least this special examination has been made into our situation in the Atlantic provinces.

Mr. STEWART: I have two or three questions which will not take up too much time. I would like to ask if the commission is satisfied that the formula laid down in the proposed legislation is fair for determining the maximum rates, first, to shippers of commodities, light loads, heavy loads, bulk loads, and is it fair as between shippers of different commodities; and secondly, as between truckers and the railways.

Mr. COOPER: Well, Mr. Stewart, that question is under active consideration now by the Maritime Transportation Commission in consultation with other provincial governments interested in the bill. This submission we have made today is on the general principle of the bill as it effects the Atlantic provinces. We expect at some time in the future, that we by ourselves, or acting in association with other governments, would present our considered views on the questions you have raised before the committee. I do not know if perhaps we could go any further than that at the moment, although I am not attempting in any way to evade the question.

Mr. STEWART: I think that if more is to be said later perhaps all that could be said now is that there is some doubt evidently concerning the suitability of the 15 ton test of the amount of the maximum rate.

Mr. COOPER: There certainly is doubt now.

Mr. STEWART: Is the commission familiar with some discussion which took place recently concerning a proposal to increase competition by constructing a highway from Montreal to Moncton? I do not know if you have read yesterday's *Montreal Star*, but the matter has reached the stage where it has now become the subject of cartoons. Are you familiar with the proposal, and if so, what do you think would be the effect of such a highway on the solution of your problem?

Mr. DICKSON: Well, Madam Chairman, in answer to Mr. Stewart's question, the highway you refer to is commonly called in the Atlantic provinces the Corridor road and the commission has said that this road would help to shorten the distance between the Atlantic provinces and our major markets, and that it might be of considerable help to the region. There might be other variations of the idea of shortening the distance between the Atlantic provinces and her major markets to be considered as well. But in any event I think it would be fair to say that anything which would shorten the distance between the Atlantic provinces and their major markets certainly would be welcome.



Mr. STEWART: Those are all the questions I wanted to ask.

The ACTING CHAIRMAN: Now, Mr. MacEwan.

Mr. MACEWAN: I want to ask Mr. Cooper, now that Mr. Stewart has gone into the matter of the cases which have been decided and so on, if the Maritime Transportation Commission, having regard to what the Prime Minister said in October, believes that this special examination should take the form of a royal commission inquiry into the matters concerning maritime freight rates?

Mr. COOPER: The commission has no settled views on it. Certainly we are not inflexible on the subject of the form, whether it should be a royal commission or a special study. We are prepared naturally to give every possible co-operation to the form of inquiry which is set up. If it were done by way of a special study, I think it would be safe to say that certainly we would have no objection to that course being pursued.

If, on the other hand, it were found that a royal commission was a better vehicle for this purpose, we would likewise give naturally every co-operation to such a commission, and we would be satisfied with that form of inquiry.

Mr. MACEWAN: If a special inquiry were carried out, what would you envisage to be the necessary bodies to take part in it? I suppose it would include the board of transport commissioners, and so on?

Mr. COOPER: We would expect, if a special commission were established, that we would certainly be given every opportunity to make our views known to those engaged in making the study, and we would expect also that the person or persons conducting the study would consult the people interested in the Atlantic provinces who are concerned with the transportation picture in that area.

Mr. DICKSON: The only addition I would like to make to that is that the form is not as important as what it is going to do. As we said, its primary effect must be the restoration in this competitive area of the national policy respecting transportation in the Atlantic provinces, and we feel this must be its primary objective. The form it might take is only secondary.

Mr. MACEWAN: It is your conclusion that the rates now in effect under the Freight Rates Reduction Act should be maintained in the Atlantic province rates. I take it that it could be said that if this is done, and if Bill No. C-120 or whatever comes from it should go before the house and be passed, that that bill, once passed, would come into effect and would begin to work throughout the country. Perhaps this would give your own commission, and the provincial governments and so on a good opportunity to assess what the effect has been on other parts of Canada. In that way we can meet the competitor, and know just how it will affect the maritime provinces.

Mr. COOPER: That is quite right; we would agree with that entirely.

The ACTING CHAIRMAN: Now, Mr. Hahn.

Mr. HAHN: Madam Chairman, I would like to get a little information if I can about the Maritime Freight Rates Act. Since I come from central Canada I am not familiar with that act. I gather that section 7 would prohibit the railways from making a rate outside of select territory which was so low as to destroy the advantage that exists within the select territory. Is that correct?

Mr. COOPER: It is the indication of section 7, as we see it, that the relative advantage of the person in select territory or of the shipper, is to be preserved with the result that if the rates were lowered outside the select territory, corresponding reductions would be made in the select territory to maintain the relationship.

Mr. HAHN: Did the act set out the relationship from within and outside the territory?



Mr. DICKSON: I shall try to answer that, Madam Chairman. The act said that all existing rates in effect when the act was passed in 1927 were to be cancelled, and that all existing maritime rates were to be cancelled and new rates were to be filed reflecting the percentage reductions required by the act. This was said to be the new relationship. The relationship was to become this, so we would suppose that the act was to reduce the maritime freight rates by the percentage required. This was to be the new relationship between the maritime rates versus the rates outside. Maybe I am reading too much into it. But I think you cannot get much less out of the intent of the act and section 7 in particular. Section 7 was to maintain this relationship to rates either inside or outside, as they may change in the intervening years. And as we have said over and over again today, since the potato case came along we found there was a flaw in it.

Mr. HAHN: When the act establishes a differential, presumably it forces the rates down below the norm in the select area. Do the railway companies absorb the cost of that differential, or does the act provide for any assistance in that respect?

Mr. DICKSON: Oh, no, sir. The passage of the Maritime Freight Rates Act and its existence today have not had any adverse effect on the railways' revenue, because for any reduction they make in freight rates in select territory they are reimbursed by federal subsidy.

Mr. HAHN: I gather your view is that the principles of the national transportation policy as outlined in Bill No. C-120 are not necessarily the answer. What is necessary is to go back to the principles of national policy enunciated in the Maritime Freight Rates Act and to bring this legislation up to date.

Mr. DICKSON: Yes, subject to the qualification that we have some reservations concerning the national transportation policy expressed in Bill No. C-120.

Mr. HAHN: Which you have not as yet presented to us.

Mr. DICKSON: No.

Mr. REGAN: Madam Chairman, I have several questions. First of all, turning back to the question I raised with the previous witnesses who made a presentation this morning, I wonder whether either of these gentlemen would care to comment on whether or not you think there is any possibility of regional damage as a result of any railway policy—either rate making or other policy—that would arise from the lack of prohibition against discrimination in the new legislation.

Mr. COOPER: Without attempting to evade your question, I should say that is a matter which is under active consideration by the commission in co-operation with the governments of the other provinces. Any view we might express now perhaps would be unfair in view of our consultations which I have mentioned in anticipation of a presentation which will be made at a later date. It is fair to say, as Mr. Dickson just mentioned to me, that it is considered by the Maritimes Transportation Commission that there should be some provision in Bill No. C-120 to guard against unjust discrimination.

Mr. REGAN: I see. I gather, and have gathered for some time, that your case is predicated upon the lack of competition from trucks as a means of long range transportation; that is, competition with the railways in the maritime region, and the fact that such competition does exist in central Canada which has a detrimental effect on rates in the maritime region. In dealing with this question an official of the Department of Transport testified before this committee that he felt the truck competition to the railways on cargo to and from Ontario was increasing rapidly, and he felt the time was not too far off when there would be a truck competition situation between trucks and rail-

ways on cargoes moving between central Canada and the maritimes. I found that quite a remarkable statement. Do you agree that this is the situation, and if not, do you feel there is any increase in the truck competition? Have you done anything in respect of projecting what it will be in the future?

Mr. DICKSON: I would think that certainly the Maritime Transportation Commission and the governments of the provinces would be most anxious to encourage that truck competition. In the supplemental submission we have attempted to say that exhibit I filed by the Department of Transport personnel indicates a growth in traffic moving within the maritimes and from the maritimes at competitive rates, and agreed charge rates, as it does too for traffic moving in other parts of Canada. We cannot give you a detailed statement on this, but we can find indications that while competition may be growing, its effectiveness or its depth, as we put it, is not as great in the maritimes as elsewhere.

Let us take a look at appendix 5 for a minute. In explaining appendix 5 I mention that the rate from Berwick, Nova Scotia, was an agreed charge, presumably made to meet competition of other carriers. That rate has been reduced from the peak in December, 1958, to a level somewhat lower; but that reduction is nowhere near as great, nor as deep, as the reduction that the Thornbury shipper received when his rate fell, first of all in August, 1953, from a level almost near ours down to considerably below and now lower than it was in 1937. Even with the increasing competition, there is the matter of the extra miles which have to be covered to move Atlantic province shipments—and if you are talking about manufacturing in Newfoundland, we have a lot more extra miles. The movement of Atlantic province shipments to the major markets just means that competition, as keen as it may be today—and even becoming a little keener in the future—is not, by itself, going to restore the relationship that we did have.

Your question really is in two parts; what have we done in the past and what is projected for the future? We would hope that increased competition would come along, and we would like to encourage it to the extent that it will restore and maintain the relationships. But, can it do it by itself? There is very grave doubt in our minds that it can.

Mr. REGAN: Still dealing with the question of developing trucking competition, I would like to refer to the corridor highway across Maine which was brought up by Dr. Stewart. Does the Maritimes Transportation Commission have any view in respect of whether the building of such a highway alone would make sufficient competition to create a competitive situation for long range trucking, to the extent that the cost of such a highway would be justified? Has the board given this matter sufficient thought to enable it to indicate whether a two lane highway can be efficient for long range trucking competition because of the fact that a two lane highway tends to restrict the speed of trucks when they catch up with slower moving traffic as the trucks do; do you feel the expenditure for a four lane highway would be worth while; do you feel that a corridor highway alone, if other highways in the maritimes were not reconstructed, would be of general use?

Mr. DICKSON: We have not gone into a study of the type you have in mind, but I would like to say, since I may not have made it too clear, that by itself the corridor road would not help some of the more extreme areas of the Maritimes. You have the problem of roads within the maritimes. Let us take a look at the southwestern part of Nova Scotia. Truck traffic originating in the Yarmouth, Shelburne, Annapolis valley area must come up around by Truro and Moncton in order to get around the Bay of Fundy which makes a great indentation in our coastline there. So, while the corridor road will shorten the distance from such points as Saint John and Fredericton it will not have the same effect



on shortening distances from Yarmouth. Perhaps a ferry across the Bay of Fundy might need to be involved in this.

Mr. REGAN: I was coming to that.

Mr. DICKSON: As you point out quite rightly, there is the problem of the road system in the maritime provinces themselves, and of course when we get to Newfoundland we have another great qualification because of the extra distances. There is another ferry haul and the long circuitous route from Port aux Basques to St. John's.

Mr. REGAN: From what you have said I gather you feel that as part of an efficient national transportation policy to enable truck competition to serve transportation needs in the maritime region, there should be massive federal government participation in all-weather highway construction in the maritime provinces. Is that accurate?

Mr. COOPER: We would welcome any massive federal participation.

Mr. REGAN: Of any kind. Again I feel that the ferry services between western Nova Scotia and Saint John at the present time are not adequate to serve the trucking interests. Would you elaborate on that; do you agree, under the present system of handling the goods from one railway service to another, that rail transportation into western Nova Scotia also is inefficient and that a car ferry which could handle a railway car would be needed to overcome that difficulty?

Mr. DICKSON: That is a very big question. You and I know what the situation is, but in order to get the situation fairly in all our minds, I might say that the existing ferry does not carry trucks of any size. I do not recall from memory what the largest size of truck which can be carried is, but I think it probably is in the nature of a few tons; it is nothing like the commercial unit we see today on the highway.

Mr. REGAN: Is this not a worn out ferry brought down by the C.P.R. from the west coast?

Mr. DICKSON: I would not want to agree with the adjective you used to describe the ferry, but it is not a new ferry. The service has been there for years. There is a new ferry on that service, but it is not a newly built ferry.

Mr. REGAN: And is not designed for the needs.

Mr. DICKSON: It is not designed to carry truck traffic and does not carry rail traffic. All rail traffic has to be off-loaded and reloaded. It is a freight bulk route, as we call it, technically.

Mr. REGAN: I note that you have not dealt with the question of export or import rates for cargo moving from central Canada through ports in the maritimes such as Saint John, Sydney or Halifax. I wonder whether you have any views concerning the advantages of the Maritime Freight Rates Act, or anything similar, being granted in respect of our export-import rates to enable Canadian ports to compete with United States ports which are getting a great deal of our export-import business.

Mr. DICKSON: This is a rather difficult question. We certainly are not recommending that the Maritime Freight Rates Act be extended to the export-import rates where it does not apply now. You and I understand, but so that there will be no misunderstanding I should say that the export rates on shipments originating in the maritimes are subject to the Maritime Freight Rates Act but all other freight rates are not, and no import rates are subject to the Maritime Freight Rates Act. Certainly it well might be that the special examination which we would hope would come about before too much longer might have a look at this question. The question of the export-import rates might be one of the things it could look at. I know that a number of things are being



considered in respect of port traffic, and undoubtedly it would be difficult to look at the port traffic without considering rates.

Mr. REGAN: I note in your main submission that at some length you made the point that the topography of the maritime and Newfoundland region is such that the railways are involved in more curves and worse grades than in any other area in Canada. You made the point that this could make rail operation up to eight times as ineffective or more expensive than the operation in a flat straight area. Do you feel there would be an advantage in having portions of those areas rebuilt according to modern railroading techniques, or do you think the topographical disadvantages can be overcome?

Mr. DICKSON: I really could not answer that with any degree of accuracy. I think each would have to be examined on its own merits. This is something I know very little about. As an ordinary layman on that subject, I would think each individual case would have to be examined on its own merits; that is, how much would it cost to change the grade or curve in relation to how much more traffic could be hauled. It would really need an engineer rather than a freight rates expert like me to answer the question.

Mr. LLOYD: In view of the numerous comments and questions put by members from the maritimes, I must be very careful not to be repetitive because of the interest in this problem of other members of the committee from other parts of Canada. I can only sort of synthesize what has been said first by the witnesses and second by the questioners. What these observations really say is that you have a very complex problem if you begin with the proposition that as a policy of confederation the I.C.R. was built and that the competitive position of producers in the Atlantic region must be maintained in bringing their products to the central market. We begin with that proposition and then you require a special examination, based on this premise, of the economic and political implications and the physical problems involved. You would then explore the whole thing with a royal commission of inquiry into the problems, economical, political and physical. That is really what you are asking, is it not; are you not saying in effect that the provincial government positions have to be resolved, and that to some extent the provincial government requires the information and enlightenment that would come from a royal commission before it can take a position on the matter in representations to the national government.

Mr. COOPER: I do not think one can express it more fully or more accurately at this time than was expressed by Mr. Pearson.

A special examination into the problems related to maritime transportation and the Maritimes Freight Rates Act—

Mr. LLOYD: I think it is pretty obvious that the Canadian National Railways took over the I.C.R. because it was laid out geographically for what at the time really was a tactical defence by the British government with regard to Canada against some developments made to the south. Subsequently, the C.P.R. comes along and builds across the state of Maine and takes advantage of a competitive position as far as rails are concerned.

You now have new conditions of truck developments and you have other new developments being proposed. Someone wanted to build a ship canal to connect the bay of Fundy with the strait. You have all these implications; and in addition, the question of the defence of Canada is no longer involved. Perhaps we think in a more practical vein of the cost of transportation.

As I see it, what you are now pleading with this national committee is that there are constitutional commitments and physical disabilities with the present facilities, and now there is an awareness on the part of provincial governments that they should be involved in economic growth. There could be some very hard decisions to make. The only way to come to grips with the problem is to

have a pretty broad inquiry into the field of transportation. That, in essence, is what you say. You do not know too precisely where you might go, but the problem is so complex that you require a complete inquiry? You support Mr. Pearson's viewpoint, in other words?

Mr. COOPER: Yes, and I would add, with special attention being given to and with special emphasis being placed upon the loss, as we have said, of the relative advantage which maritime shippers obtain under the Maritime Freight Rates Act. That is the central point of our submission. We consider that we have lost that relative advantage. We think it should be restored. We think an inquiry into the ways and means of making such restoration is necessary. That inquiry might be far reaching once one got into it, but the central point is as I have stated.

Mr. PASCOE: Madam Chairman, I hope this question is not out of order. I realize this is a brief from the Maritime Transportation Commission and that the most vocal members of the committee today are from the maritimes. However, as a member from the prairies, from western Canada, from Saskatchewan, may I ask a question that is perhaps beyond the scope of the witnesses? I am referring to the five charts in the appendices on pages 1 to 5 dealing with percentage relationships of freight rates in various parts of Canada.

These charts cover only the period up to 1940. They indicate that on the prairies the charges are very much higher, percentage-wise, than in Quebec and Ontario or the maritimes. Could the witnesses tell me whether that same situation prevails now and would be shown if the charts were carried on past 1940? In other words, are the rates in the prairies considerably higher than those in Quebec, Ontario and the maritimes?

Mr. DICKSON: Madam Chairman, in answer to Mr. Pascoe's question—and undoubtedly someone from the west would be much more qualified to answer this than I—if we are speaking of class rates alone and a comparison of class rates, which these charts are, then the prairie rates shown on the charts have, since 1955, been on the same line as the Ontario and Quebec rates.

Mr. PASCOE: They carry right on along that same line?

Mr. DICKSON: That is right. Prairie class rates have been equal to Ontario and Quebec class rates.

It was one of the prairie provinces' handicaps that the members and those associated with transportation out there had as a perennial problem for years.

Class rates are equal now. I could not really speak with any authority on other types of rates.

Mr. PASCOE: I have one other question which follows from what Mr. Regan was saying, and I may perhaps read how one veteran engineer puts it in regard to Newfoundland, but it refers pretty well to the operation of railways all over:

Sometimes you are going uphill, and at the same time you are going downhill, and you can be going round three curves all at once.

I just put that on the record in referring to the cost of operation in this select region in comparison to the flat, level prairie land. It says here that it might be eight times as much. I am just asking, perhaps as an expression of opinion, whether the rates on the prairies should be high to maintain the higher cost of operations in other areas. That is just my western viewpoint and I would like to put it on the record.

Mr. STEWART: Madam Chairman, I have only two follow-up questions. The first is prompted by the questioning of Mr. Hahn. In the answer given to him it was pointed out that a federal government subsidy is paid to make up the difference between the rate that would normally apply and the rate which is in effect as a result of the Maritime Freight Rates Act.

My question is this: Who now gets the advantage of the subsidy—the railway company, or the maritime or Atlantic shipper?

Mr. DICKSON: Madam Chairman, in reply to Mr. Stewart's question may I say that the Maritime Freight Rates Act subsidy is a shipper subsidy, although it is paid to the railway. Certainly the whole philosophy of the maritime freight rates subsidy was to reduce the rates to the shipper, so I say it is a shipper subsidy. It is paid to the railway in return for a reduction in rates. Therefore, it is a shipper subsidy, but it is paid to the railway.

Mr. STEWART: My question goes a little further than that. Would you argue that, after the railway has increased its rates again and again in the maritime region, in reality the subsidy which was supposed to provide a relative advantage to maritime shippers is being absorbed by maritime shippers or by the railway companies?

Mr. DICKSON: Undoubtedly the payment of a subsidy helps any industry group—if you want to call Ontario a group, inasmuch as it is passed on presumably to the user. It is possibly of some help to a carrier in attracting traffic.

I think the railways attempted to pass the subsidy on to the user. If they have not done so, it is perhaps through inadvertence. I am not going to suggest for a minute that they have deliberately retained a subsidy when it could have been passed on to a shipper, but the amount of subsidy has not been adequate to maintain the relationship. It may well be that the Duncan commission, in recommending a subsidy in 1926, felt that 20 per cent was the amount needed at that time to restore the relationship, and that this percentage figure was only a secondary figure to indicate a principle.

I may not be answering the specific point of your question, but I am trying to give a little background to the 20 per cent figure. I would suggest there is nothing sacred about the 20 per cent or the 30 per cent, as the case may be; it is a figure applied to indicate the principle.

Mr. STEWART: Would it not be correct to say that to the extent the subsidy is absorbed by the railway—and we will not enter into the question of whether or not this is done deliberately—the subsidy becomes in effect a subsidy for shippers in central Canada? The railway gets more money here by reason of the subsidy. Consequently, it is able to compete more vehemently in the central Canadian area.

Mr. DICKSON: I do not think I could agree to that, Mr. Stewart.

Mr. STEWART: Well, I would go that far. The fact that the subsidy is paid only to the railways and not other carriers does mean, when they are competing for any given block of traffic, that the other carriers are at a disadvantage. To the extent that this may take place, then I suppose one could say the subsidy is not dollars in the railways pocket though it is of assistance to them in retaining that traffic.

The last question I want to ask arises out of a question asked by Mr. Pascoe. Have you inspected the report of the board of transport commissioners of March 8, 1965, on the waybill analysis?

Mr. DICKSON: That is exhibit 1?

Mr. STEWART: Yes.

Mr. DICKSON: Yes.

Mr. STEWART: I notice in your own appendix 1 you deal with class rates, yet this report of the waybill analysis shows that class rates figure to a very small percentage—for example, in 1963, three per cent—of the amount of carload traffic moved.

To what extent is your appendix 1 liable to give a distorted impression because it concentrates on a portion of the traffic which itself is only a small percentage of the total traffic?



Mr. DICKSON: You are quite right in raising the question there, Mr. Stewart. We have apparently not made clear what appendix 1 is attempting to illustrate. Certainly very little traffic today moves at class rates. Class rates do serve as the maximum or as a guide for other rates. Class rates are the maximum and so they do tend to set the pace, if you wish, for other rates.

It is impossible to give you a graphic picture of other rates because they are not "fixed"—and I use the word "fixed" advisedly there. They do not have the maximum relationship that the class rates have. As I say, class rates are the maximum, and others tend to congregate under them.

I would suggest that if traffic had continued to move at class rates, as it did at the time with which this appendix deals back in the early part of the century, then the distortion that has taken place in the relative position of the maritimes versus the rest of Canada would probably not have happened. The relationship of the class rates, maritimes versus Ontario and Quebec, has not deteriorated to any degree.

Appendix 5 deals with the current class rate from Berwick, Nova Scotia, to Ottawa, Ontario, which is 226 cents per 100 pounds. This is class 100, the first class rate. That would not be a carload rate, but it is a key rate. The rate is \$2.26. The class 100 rate from Thornbury to Ottawa is \$2.44. Ours is a little under, as you will note. The agreed charge rate from Thornbury is only 42½ cents, or 17 per cent of class 100, whereas our agreed charge rate from Berwick is 35 per cent.

If we had stayed on the class rate level we would not perhaps have the problem indicated in that particular appendix.

The ACTING CHAIRMAN: Mr. Granger.

Mr. GRANGER: There are just one or two questions I would like to ask which are relative to the steamship service.

The coastal service operated by C.N.R. operates, as you know, in some areas of the province where there is no other competition. They serve a captive market. One area would be one side of the Great Northern Peninsula of Newfoundland and the coast of Labrador.

How are the rates established there? Do they come under the Maritime Freight Rates Act? What is the criterion for arriving at "X" charge for a specific movement?

Mr. DICKSON: To attempt to answer Mr. Granger's question I would say that the Newfoundland coastal steamship service, as I understand it, is operated by C.N.R. for the government of Canada. The rates on that coastal service are not reduced by the Maritime Freight Rates Act. The Maritime Freight Rates Act applies to rail shipments.

Control over those rates moving between coastal points in Newfoundland rests, as I understand it, with the Canadian Maritime Commission, a federal agency of the Department of Transport.

The ACTING CHAIRMAN: Is that all, Mr. Granger? Mr. Cowan.

Mr. COWAN: Madam Chairman, the members of the Maritimes Commission will realize that what is being said here today is being taken down and printed.

I want to ask a specific question. I am from central Canada, from Toronto. We find it rather interesting that Montreal is considered to be a great lakes port—though for how much longer I do not know!

If you have a copy of Bill No. C-120 before you I would like you to look at page 20, section 329A. You will find there, for the first time, Montreal is classified as an Atlantic port, along with Halifax, Saint John and West Saint John. Are you satisfied to have Montreal, which is a great lakes port and sometimes considered as a St. Lawrence river port, considered now as a maritime or

Atlantic port as well? This makes a difference to certain subsidies, you know, for grain from western Canada.

Mr. DICKSON: For the purpose of that particular section I guess we would not really quarrel with Montreal being called an Atlantic port. I think the Halifax members would be the first people to object to Montreal being classified as an Atlantic port open all the year round!

Mr. COWAN: Mr. Regan referred to a corridor through Maine. I gather it is being considered, together with trucking commercial commodities from the maritime provinces into the central Canadian market. How much do you think moves that distance by truck today? Up in Ontario and other parts of North America a piggyback system is being used for transport by rail where the railroad bed is already in existence, in many cases rock ballasted, so we do not have to spend money on building a new road? Could the truck traffic over the corridor road not move just as well by piggyback so that the crowding of the highways could be alleviated by taking off the trucks? This method has been proven by the province of Ontario.

Mr. DICKSON: This is certainly one of the alternatives to moving traffic over roads anywhere there is a rail service available, or where a piggyback service can be provided. Whether it is the best way, the cheapest way, or the most economical way to move traffic I really could not answer the question specifically.

Mr. COWAN: I think the facts speak for themselves. All you have to do is to look at the facts to see that piggyback is growing increasingly. If you have the rails, it is shorter than a truck route through New Brunswick or the building of a corridor road through Maine.

Mr. DICKSON: Piggyback rates are based on the road mileage.

Mr. COWAN: Are you objecting to it?

Mr. DICKSON: I was not objecting to it.

Mr. COWAN: This is like saying that two and two make four.

Mr. DICKSON: If your road mileage is shorter, then your piggyback rate is lower, as I understand it.

Mr. COWAN: I think this is extraneous to the subject under discussion. I just wanted to have it on the record that if you are not objecting to Montreal being called an Atlantic port, I hope that in a couple of years from now the uproar about it will not be coming from the Atlantic provinces, because of your reply this morning.

The ACTING CHAIRMAN: Are you through, Mr. Cowan. If so, then Mr. Lloyd.

Mr. LLOYD: I have a supplementary question to the supplementary. It arises from the fact that observations were made about Toronto and Montreal. I would ask my question of either Mr. Cooper or Mr. Dickson: in view of the fact that Canada historically has maintained a tariff policy for the development of manufactured industrial products in Canada, this has been a great stimulus to the central areas of Canada. How would you feel about a commission inquiry into subsidies to shippers, such as was implied in Dr. Stewart's question, to select kinds of users, bases, and products, as being more meaningful and understandably more of an economic growth within the maritime provinces? I mean direct subsidies to shippers. How would you feel about that approach to the problem? Is it practical? We have, for example, all kinds of federal policies with respect to other products, particularly wheat and automobiles. What would you say about having it related to apples?

Mr. DICKSON: If I understand you correctly, you suggest the possibility of paying a subsidy for transportation to the shipper.

Mr. LLOYD: That is correct.

Mr. DICKSON: I have no objection to it if it is the general policy.

Mr. LLOYD: Is it something practical and feasible for a royal commission to inquire into, in your opinion?

Mr. DICKSON: We should be able perhaps to look at the method by which subsidies are paid. If there is a different way such as payment direct to the shipper, then everybody should be willing to give it consideration to see if it is a practical thing.

Mr. LLOYD: Would this not simplify the problem deriving to the benefit of the economy and helping by giving it to the transportation system?

Mr. DICKSON: There may be some administrative problems, but there is nothing wrong with it.

Mr. LLOYD: There will be nothing more complex than what there is now, surely.

The ACTING CHAIRMAN: Now, Mr. Hahn.

Mr. HAHN: I have a short question. I would like to turn to appendix five dealing with canned apples. If I read it correctly, since 1953, the shipper of canned apples from Nova Scotia has suffered from a severe freight rate disadvantage in comparison with the shipper from Thornbury. Has this had an impact on the apple industry in the maritimes? Is the shipping cost a significant part of the total cost, and if so, does the change as indicated in this appendix really affect the producer in the maritime provinces?

Mr. DICKSON: You are asking about the cost of operation between one company as against another. I really could not answer it. But I think it is fair to say that every dollar paid out by one company for transportation charges which otherwise it could escape is a dollar which the company must pay and a dollar which it does not have for use in advertising, or research; or, if you want, for better profits to its investors, or for wages. You can keep on naming them, but these are three or four points I have in mind.

Mr. HAHN: Going on from the apples to the general principles that you have enunciated that shippers in the maritimes have been suffering a continuing disadvantage over the last number of years, do you contend that this has slowed down the growth of industry in the maritimes, or has had a fairly serious and detrimental effect on growth in that area?

Mr. DICKSON: Yes, we agree with your statement.

Mr. HAHN: You feel that this has had an effect on your one time position and has been of major proportion, in other words, in terms of its impact on your economy.

Mr. DICKSON: I think that any economic statistics which have been devised by government at federal or provincial level will show that the maritimes are behind, economically, and that in the establishment of industry in the Atlantic region transportation has loomed as a very big factor. We have prospective industry coming into the office from time to time and what they want to know is "how much transportation am I going to have to pay if I establish in the Atlantic provinces versus another alternative site which I am considering elsewhere in Canada?" I suppose that top officers must consider these factors, but when every one is negative, it makes it that much more difficult to attract industry to the Atlantic provinces.

The ACTING CHAIRMAN: Now, Mr. Granger.

Mr. GRANGER: My question is supplementary to that of Mr. Cowan's with respect to Montreal being an Atlantic port. That is a very interesting position. Perhaps Toronto might also be made an Atlantic port. It occurred to me that there are one or two other questions I would like to ask relevant to earlier



questions. At times both steamships and railways are involved in the same movement. In that case who sets the rate? Does it come under the Maritime Freight Rates Act, or is the rate set by the maritime commission?

Mr. DICKSON: Do you mean a movement coming from a coastal point to an inland rail point?

Mr. GRANGER: Yes, within the provinces.

Mr. DICKSON: Yes, I wanted to check to make sure that I was right. The rate for the water movement from the coastal point to the point where it connects with the railway is not the subject of the Maritime Freight Rates Act. The rate from your port to the final destination, if it is within Canada, and if the final destination is on the railway, is set by the Maritime Freight Rates Act.

Mr. GRANGER: Do you mean that there are two separate charges?

Mr. DICKSON: Yes.

Mr. GRANGER: One is not an extension of the other?

Mr. DICKSON: There might be one or two specific exceptions to that statement, I would have to re-check. But 99 and 44/100 per cent of the time there are two separate factors.

Mr. GRANGER: Perhaps this question should not be asked of you, but as a matter of fact, respecting the criteria for steamship rates, how are they established?

Mr. DICKSON: All I can say in answer to that is that it is done by the Canadian Maritime Commission.

The ACTING CHAIRMAN: Now, Mr. Southam.

Mr. SOUTHAM: I would like first of all to compliment the witnesses this morning for their very comprehensive brief and submission. For the benefit of those of you who do not know it, I come from western Canada. I note that the discussion this morning centred around transportation problems in the maritimes dealing particularly with freight rates. In the west we have a problem, of course, with rates, and with railway abandonment. There has not been any discussion of our problems. Are you people affected by railway abandonment in the maritimes at all, or are, or are there application before the board of transport commissioners for abandonment?

Mr. DICKSON: Certainly, sir; the maritimes are not affected to the same degree as western Canada in branch line abandonment. We do not have the multiplicity of branch lines that they have in western Canada. There are I think, only three applications presently before the board of transport commissioners for abandonment of different sections of line in the three mainland maritime provision. On particular line was abandoned as of January 1, 1965, in New Brunswick.

Mr. SOUTHAM: Basically your problem would be with the application of rates. Under this proposed Bill No. C-120 it is suggested that we have a rationalization authority. We have had a number of witnesses before the committee who have been somewhat critical of this proposal. They feel it is not going to have any basic authority or have enough teeth in it. Have you considered this problem, in connection with such a rationalization authority?

Mr. COOPER: We have considered it in consultation with western provinces.

Mr. SOUTHAM: Are you prepared to express your opinion on whether you would go along with the evidence of previous witnesses, either to give the rationalization authority a great deal more authority or to enlarge the scope of the present board of transport commissioners so that they could have more freedom to move in respect of adjudicating or arbitrating various problems that present themselves?

Mr. COOPER: I would like to reserve our position on it, but at the same time I would say that our present thinking is that the rationalization authority should have more power than has now been given to it by Bill No. C-120; it should have the power to make studies and investigation on its own, and that sort of thing, with a view to emphasizing the word "rationalization" more than that word has been emphasized in the present draft of Bill No. C-120.

Mr. SOUTHAM: There is another question I would like to ask. Do you people have access, to or do you engage, so-called outside experts as far as studying the economy of various rates and their application as they affect railways and trucking? I am thinking of the MacPherson royal commission when evidence indicated that there could be a wide variance of opinion on whether some of the rates used by the railroads in setting forth their case were at variance with what the witnesses and other people affected by them thought. As a result they did get advice of independent so-called economic experts. Are you people entirely in agreement with the economic criteria or cost accounting formulae that the railroads used in presenting their opinions on this problem?

Mr. DICKSON: Sir, we feel that our ability to assess railway costs and criteria is a bit inadequate. Certainly we have no access to railway figures. I am not suggesting that we necessarily should. But this whole question of railway costs in relation to rates is something which is relatively new, and there is great emphasis on it in this bill. Here again there will undoubtedly be some reservations about the costs existing between those, who represent the shippers' interest and the railways in the days ahead. At the moment the railways' cost figures, as I say, cannot be challenged except in the way you have indicated, by bringing in your own experts. So far we have not had a demand to challenge the railway cost figures in the same way as the western provinces did in their appearances before the MacPherson royal commission.

Mr. SOUTHAM: Thank you.

The ACTING CHAIRMAN: Now, Mr. Cowan.

Mr. COWAN: Madam Chairman, Mr. Granger asked a question about rates on the coastal waters of Newfoundland. One of the gentlemen heard earlier said that the Maritime Transportation Commission would welcome any kind of assistance which the federal government might give to assist with the rates in the maritimes. I come from central Canada and I would welcome the minimum of effort given by provincial governments in the maritimes. I would like to ask the witnesses today if they think the government subsidy on steamship service in Newfoundland and on the coastal service in 1963-64 in the sum of \$4 million odd is sufficient, or do they think it should be a little larger?

Mr. GRANGER: What has that to do with this committee?

Mr. COWAN: I am following up Mr. Granger's comments on the bill.

Mr. GRANGER: I may not have been in order.

Mr. COWAN: He certainly was not ruled out of order. The subsidies paid by the Canadian government for steamship services last year amounted to \$9 million odd, and for that portion which had to do with Newfoundland coastal service, the amount was \$8 million odd. Do they feel that they have enough, or would they be looking for more?

Mr. COOPER: I do not think this is a matter on which I or any of us are competent to express an opinion, Mr. Cowan.

Mr. REGAN: Perhaps if the maritime provinces should opt out of some of the programs which are designed to protect Ontario, they might then be in a better position.

The ACTING CHAIRMAN: Are there any more questions?

Mr. GRANGER: May I comment on Mr. Cowan's remarks?

The ACTING CHAIRMAN: If your comment is in order, yes.

Mr. GRANGER: It depends on whether Mr. Cowan's comments were in order. On the east coast of Newfoundland and in the northern part there is no other means of transportation than steamship. There is literally no competition, and this goes for the coast of Labrador as well.

Mr. MACEWAN: You mentioned three or four abandonments which were before the board now. I think the figure should be four. One of the proposed abandonments is the centre of a short line from Stellarton to Oxford Junction.

Mr. DICKSON: Yes.

The ACTING CHAIRMAN: Perhaps you will be good enough to indulge the Chair for a moment. This is an occasion which has not happened too frequently. First of all I want to tell Mr. Cooper, Mr. Dickson, and Mr. Armitage how very pleased we are to have had their brief. This is the first occasion when I have chaired a meeting since I came to the House of Commons on November 23; indeed, it is the first time that you ever had a woman chairman of the railway committee; and since I come from the maritimes I am pleased that it should be the Maritime Transportation Commission which is appearing before the committee today. Gentlemen, I thank you. We have enjoyed hearing your brief.

Mr. CANTIN: Speaking on behalf of the committee may I congratulate you, Madam Chairman, on the very fine way you have conducted our deliberations today.

*(Translation)*

This is all to your credit.

*(Text)*

Today's session may be the last meeting, at least for a time, to deal with this problem. So on behalf of the minister I would like to thank all the members of the committee for their co-operation.

The ACTING CHAIRMAN: Before we leave, since no other witnesses have informed the committee of their intention to be heard, the committee now stands adjourned to the call of the Chair.



## APPENDIX "G"

## Submission of the Canadian Industrial Traffic League on Bill C-120

Mr. Chairman and Members of the Standing Committee on Railways, Canals and Telegraph Lines.

The Canadian Industrial Traffic League (Inc.) is a national organization expressly serving the transportation interests of its members. We have approximately 1200 members across Canada.

The efficient and economical transportation of goods and of persons on behalf of their firms is the main responsibility of traffic management personnel. This Submission contains the views and opinions of those who directly pay the freight charges to the Canadian Railways on behalf of their companies.

This submission by the League is being made on the understanding that nothing contained herein shall be deemed to abridge the rights of the League's individual member companies to make other or separate submissions elaborating hereon or differing herefrom the views expressed in this submission.

Since 1916 it has been the endeavour of the League at all times to co-operate with the Transportation Companies, Federal and Provincial Regulatory Bodies, Royal Commissioners, and other organizations interested in the promotion, conservation and protection of a sound national transportation industry.

Our submission with respect to the contents of Bill C-120 will follow the same order as shown in the said Bill.

## Clause 3, (Sec. 45-A)

Some apprehension has been expressed by our members that the wording of this section is broad enough to permit the appearance of *any* association or body before the Board, however, we interpret the section to permit the representative or agent of any provincial government or any association or other body *representing the interests of shippers or consignees* (underlining ours) in Canada to appear. If our interpretation is correct we do not have any objection to this section, however, if otherwise, then we submit that the representative or agent of any association or body representing the interests of carriers or other modes should not be permitted to appear before the Board on matters affecting the railways.

## Clause 5, (Sec. 156(1))

We are in general agreement with the proposed amendment, however, there is some question as to the interpretation of "transportation company" and "common carrier" and we are of the opinion that these terms should be defined in Section 2 of the Railway Act.

## Clauses 9, 10, 11, 12 (Secs. 317, 319, 320, 322, 323)

These clauses repeal the sections of the Act which prohibit undue preference and unjust discrimination and we are generally in accord with the removal of any restraints which hamper the railways in meeting competition, however we think the proposed amendments go much farther than enabling the railways to meet competition. It would permit a situation which could be seriously detrimental to shippers, if the railways were left free to publish any rate or condi-

tion irrespective of its effect on the shipping public. It is a matter of great apprehension to our members that the railways will be permitted, under the law, to practice unjust discrimination, without any recourse of appeal. The proposed Section 317 does not, in our opinion, provide a satisfactory safeguard for an industry or shipper who may suffer under unjust treatment by the railways. We therefore strongly recommend that a right of appeal be afforded to shippers where grievances can be heard and arbitrated. We respectfully suggest that the Board of Transport Commissioners for Canada be designated as the tribunal to hear and arbitrate such grievances. We have the highest regard for the ability and integrity of the Board relative to Railway matters.

#### Clause 15, (Sec. 326)

In view of the repeal of Sec. 332 by Clause 17, we recommend that subsection (2) of Sec. 326 be amended to read:—

The tolls may be either for the whole or any portion of the railway but freight tariffs publishing class rates as defined in Sec. 331 (2) of this Act shall specify the rates for all distances covered by the company's railway.

#### Clause 18, (Sec. 333)

We agree generally with this amendment except that in our opinion the 30 days notice on increases should be retained. In most industries in Canada price lists are effective for 30 days and sometimes longer and we think 30 days notice is reasonable.

#### Clause 19, (Sec. 335)

This section covers the matter of rates on so called "captive" traffic. We respectfully submit that the statutory rates as covered by subsections (2), (3)(c), and (5)(b) should not be enacted. Our reasons are as follows:

1. The bases used in subsection (2) and (3)(c), also the formulae in (5)(b) are too rigid and do not take into consideration a number of very important factors which have a bearing on freight rates such as the type of commodity, loading characteristics etc.
2. These bases and formulae can not be changed except by Act of Parliament and we do not think it should be necessary to go to Parliament in order to make changes in freight rates.
3. We think the fixing of freight rates requires the application of judgment where all relevant factors are investigated and considered.

We therefore recommend that Section 335 be amended as follows:

1. Subsection (2) be ended in the third line of page 23 with the words "deems necessary fix a rate".
2. Subsection (3)—Delete paragraph (c).
3. Subsection (5)—Delete paragraph (b).

By deleting the above subsections this would then leave the matter of rates on such "captive traffic" in the hands of the Board of Transport Commissioners for Canada which in our opinion is best qualified to consider all relevant factors and prescribe satisfactory rates.

### National Transportation Policy for Canada

#### Clause 1

We observe from the proposed amendments to the Railway Act that it is proposed to remove entirely all the restrictions against undue preference and

unjust discrimination. This situation would then permit the railways to publish any rates or conditions they please, and, in effect, they could, under the law, practice undue preference or unjust discrimination as between different shippers even under similar circumstances. It is our opinion that Parliament should express in the National Transportation Policy for Canada, the objective that each mode of transport should treat all users in an equitable manner, under similar circumstances. We therefore suggest that the following clause be added to the National Transportation Policy for Canada.

- (d) Each mode of transport, as far as practicable, applies equitable rates and conditions, under similar circumstances, to all users.

Respectfully submitted,

March 22nd, 1965.

Canadian Industrial Traffic League (Inc.)

AN EXAMPLE OF RATES TO BE FIXED ON CAPTIVE TRAFFIC BY THE BOARD  
UNDER THE PROVISIONS OF SECTION 335 OF BILL C-120 OF  
THE HOUSE OF COMMONS FOR CANADA

Rates in Cents Per 100 lbs.

	Carload Minimum Weight					
	30,000 Lbs.	45,000 Lbs.	55,000 Lbs.	70,000 Lbs.	90,000 Lbs.	110,000 Lbs.
(a) Variable cost.....	40	38(b)	36(b)	34(b)	32(b)	30(b)
Variable cost for 30,000 plus 150%.....	60	60	60	60	60	60
(c) Fixed rate to be paid by ship- per.....	100	98	96	94	92	90
Rail revenue per carload.....	\$300.00	\$441.00	\$528.00	\$658.00	\$828.00	\$990.00
Percentage reduction for larger cars.....	—	2.0%	4.0%	6.0%	8.0%	10.0%

(a) A hypothetical figure which could be prescribed by the Board under the provisions of Section 335, Par. 3(c).

(b) Variable cost reduced by the formula provided in Section 335, Par. 5(b)(ii).

(c) Fixed rates computed by adding together (a) and (b).

Canadian Industrial Traffic League Inc.,  
Toronto, Ont., March 22nd, 1965.

## TRANSPORTATION POLICY FOR CANADA

### 1. Introductory Statement

The Canadian Industrial Traffic League Inc., a National organization of industrial and Commercial managers of traffic and distribution, is dedicated to and concerned with the efficient and sound economical transport and distribution of goods and persons. The Policy is based on general principles and expresses the collective convictions of the members of the League. It has been prepared for the information and use of the membership at large, without prejudice to the interests of any individual member. The League endeavours to act consistently but will not hesitate, when necessary, to add to, modify or delete statements of policy in the light of changes in law or circumstances of transportation.

### 2. General Statement of Policy

The League supports all movements, action, engineering and technical advances that contribute to providing efficient transportation facilities and services adequate for the general economy of the Nation. It supports: (1) competition among all types of carriers so that the advantages of each may be achieved; (2) rates to be free of regulatory control save for captive traffic



and (3) tariffs to be made available by all common carriers. Where there is no alternative to providing transportation assistance except through statutory rates or charges involving subventions, the cost should be borne by the national and/or provincial treasury.

### 3. Government Ownership vs Private Enterprise

The League firmly believes in the principle of free, private enterprise, in the transportation industry as the best method of obtaining efficient and progressive transportation.

Government ownership of transportation equipment and facilities should be limited to those instances relating to national development and pioneering where private enterprise cannot serve because of high initial and development costs.

### 4. Free Enterprise and Competition

The League believes that the free enterprise system is the most effective way to bring about increased productivity, rapid technical advances and the greatest opportunity for the greatest number of people. This system must recognize the right to fail, otherwise it is subject to undesirable restraints.

### 5. Rate Making and Publication

Shippers and carriers should be free to negotiate rates, terms and conditions subject to the observance of regulations such as those respecting registration, safety and dangerous goods. All tariffs of rates, terms and conditions for common carriage should be made available.

### 6. Rate Control

Except for captive traffic, the regulations of rates by a government agency should be discouraged.

### 7. Statutory Rates or Charges Embracing Subventions

When economic, geographic or other conditions exist in certain sections of Canada, which in the national or provincial interest require special treatment, the cost of transportation or burden thereof should not be placed on the carriers and thus passed on to users or buyers of transportation services. The difference in cost or charges between the determined, normal, reasonable rates and the statutory or subvention rates or charges should be borne by the national and/or provincial treasury, in such a fashion as not to distort the basic freight structure.

### 8. Charges for Government Facilities

Whenever practicable, the costs of building, operating and maintaining any transportation facility provided by government should be met by fair and equitable charges paid by those benefiting from such facilities, except as provided under Section 7 of this Policy.

### 9. Interprovincial and International Regulations

The League believes that the federal government should regulate interprovincial and international common carriers in the areas of public safety, uniform documentation and liability.

### 10. Complete Transportation Service by Carriers

The League believes that any carrier principally engaged in a given type of transportation service should be free to engage in any or all other types of transportation for the purpose of providing an integrated transportation service.

11. Private Carriage

The League upholds the right and freedom of any enterprise to operate its own transportation facilities, subject to federal and provincial laws or regulations respecting registration, safety and dangerous goods.

12. Right of Appeal

There should be available to shippers Appeal Boards, such as the Board of Transport Commissioners for Canada, for the hearing and arbitration of grievances.

Montreal, Quebec—February 23, 1965.

## APPENDIX "H"

Submission of the Maritimes Transportation Commission on Behalf of the  
Governments of Nova Scotia, New Brunswick, Prince Edward Island  
and Newfoundland Respecting Bill C-120

*Introductory*

1. The Maritimes Transportation Commission welcomes this opportunity of presenting to this Committee the views of the Governments of the Atlantic Provinces on Bill C-120. In accordance with the expressed desire of the Committee this submission will deal with the substance or over-all policy of the Bill as it relates to the Atlantic Provinces and not with its detailed provisions. In other words the Commission is concerned at this time with the general effect of the Bill on the economy of the Atlantic Provinces rather than with the particular effect of any specific provision of the Bill.

*National Policy and National Transportation Policy*

2. The MacPherson Royal Commission report (Volume 11, pages 1 to 3) clearly sets out the distinction between National Policy and National Transportation Policy. Bill C-120 provides for a National Transportation Policy with respect to railways essentially by giving free rein to the operation of competition with other forms of transportation subject to a rate floor and, in certain circumstances, to a rate ceiling. National Policy matters as related to rail transportation are dealt with in the subsidy clauses relating to grain and grain products and passenger services and with respect to branch line abandonments.

3. This submission is particularly concerned with that manifestation of National Policy contained in the Maritime Freight Rates Act. Whilst it is true that the Bill provides that rates resulting from the operation of the Bill are subject to the Maritime Freight Rates Act it is the contention of the Governments of the Atlantic Provinces that the Maritime Freight Rates Act is not now fulfilling the purpose for which it was enacted and that the "special examination into the problems relating to Maritime transportation and the Maritime Freight Rates Act" as hereafter referred to in this submission should be conducted, completed and acted upon as soon as at all possible and that in the meantime the rate "freeze" now in effect for Atlantic Provinces' rates under the Freight Rates Reduction Act should be maintained.

*Historical Aspects of Transportation in the Atlantic Provinces*

4. The National Policy pertaining to transportation in the Atlantic Provinces has been historically to provide for a lower level of rates than elsewhere in Canada—rates which have never been intended to reflect the real cost of transportation.

5. This lower level of rates was first expressed in the Intercolonial Railway rate structure. Following a temporary abandonment of this policy in the period 1912-1927, the principle of a lower level of rates—rates not reflecting the real cost of transportation—was reestablished in statutory form by the enactment of the Maritime Freight Rates Act in 1927. Appendix 1 to this submission graphically illustrates the position of Maritime rates in relation to other Canadian rates for the period immediately after the construction of the Intercolonial Railway until after the passage of the Maritime Freight Rates Act in 1927.



6. In 1951 when the "national freight rates policy" of Canada was declared by amendment to the Railway Act (Section 336), the Government of Canada once again provided an exception to such national transportation policy insofar as the Atlantic Provinces were concerned and the four Provinces were exempted from the so-called "equalized" scale of freight rates.

#### *Objective of National Policy—Atlantic Provinces*

7. It is submitted that the objective of national policy of the Government of Canada pertaining to transportation in the Atlantic Provinces, as expressed over the years has been two-fold, namely, (1) to provide the Atlantic Provinces an opportunity to participate in the economic growth of Canada unhampered by transportation costs because of its scattered population and its geographic position located long distances from the major markets and production centers of Canada; and (2) to fulfill undertakings given at Confederation of uniting the various provinces into one nation.

8. The reasons for this objective are as valid in today's circumstances as they were almost a century ago. Regretfully this objective is not now being met.

#### *Transportation Developments and The Maritime Freight Rates Act*

9. The Maritime Provinces believed that with the passage of the Maritime Freight Rates Act in 1927 their transportation interests would be adequately safeguarded. Their expectations were short lived. With the rise of truck competition in Central Canada and post-war spiralling railway costs, the Maritime Freight Rates Act—while still providing reductions in rail rates by virtue of Government subsidies—has become less and less able to meet its objective. The relationship between the transportation costs of shippers in Central Canada and shippers in the Atlantic Provinces has drastically altered in favour of the former to the detriment of the latter.

10. Appendices 2 to 7 to this submission illustrate graphically the effects that the intense growth of truck competition in Ontario and Quebec and the post-war general rate increases have had on the competitive position of Atlantic industry in major markets. These Appendices show conclusively that despite an increase in the amount of subsidy paid under the Maritime Freight Rates Act in 1957, the Act in its present form in this competitive transportation era has been ineffective in maintaining the relationship of Atlantic Provinces rates with rates outside the region. This is not to say that the Act is of no value, for without it the Atlantic region's position would have been that much worse. But it is to say that the development of competition in other parts of Canada and the present freedom of the railways to make rate adjustments to meet such competition without corresponding adjustments in Maritime rates has been a major factor contributing to the worsening position of the Atlantic Provinces in relation to the rest of Canada.

11. It is realized that the Maritime Freight Rates Act is not to be repealed in whole or in part at this time. It is pointed out, however, that the worsening position of the Atlantic Provinces in relation to the rest of Canada illustrated by Appendices 2 to 7 has taken place despite the fact that no part of the Act has been repealed; and despite the increased subsidy given under the Act in 1957.

12. While it is true that the Maritime Freight Rates Act will continue to provide the percentage reductions in freight rates required by the Act, the relationship of Atlantic Provinces rates to the rates of competing shippers outside the region can be—and, indeed, is expected to be—further distorted by the implementation of Bill C-120.

13. This is so principally because the pervasiveness of truck competition is not as strong in the Atlantic Provinces as elsewhere. Competition cannot

be expected to hold-down Atlantic Provinces rates to any appreciable extent. The Atlantic Provinces still have the largest percentage of non-competitive traffic of any region of Canada. Indeed, in many cases, truck competition is not a factor in holding down rail rates. Even for those commodities or movements that may be truck competitive, it is the rail rate level which determines the truck rate level in the Atlantic Provinces. In Central Canada the reverse is true. It is not intended to set out in this submission the reasons for the lack of pervasiveness of truck competition from, to and within the Atlantic Provinces. Many factors influence the growth of truck competition, such as, the geography of the region, the terrain, the nature of the region's commerce, to name several. Moreover, the mere showing of a growth in competition cannot be deemed as conclusive proof of effective competition.

14. It is the relationship of rates in cents per 100 lbs. or unit of traffic that is the meaningful comparison for shippers. If an Atlantic manufacturer's rate is 80¢ as a result of the Maritime Freight Rates Act and his competitor's is also 80¢, it is small comfort to the Atlantic manufacturer to know that he is still receiving the subsidy under the Act if his competitor's rate, because of competition, falls to 50¢ while his rate remains unchanged at 80¢, or conversely when his rate advances to 110¢ because of the railways' revenue needs or costs of operations and his competitors remains unchanged at 80¢.

15. Because of distance it is not possible to expect competition by itself to maintain the relationship which the Intercolonial Railway rate structure and the Maritime Freight Rates Act originally provided.

#### *Other Competitive Disadvantages*

16. The cost of transportation to market on the finished product is only one side of the coin. If the Atlantic manufacturer cannot secure his raw materials close at hand he may have to pay substantially more inbound freight on his raw materials than his competitor. For instance, despite the existence of an agreed charge on Steel Sheet and Plate from Hamilton and Sault Ste. Marie, Ont. to the Maritimes and incentive rates for heavier carloadings of Pig Iron, two users of these products estimate that the freight on these two raw materials alone costs them slightly in excess of \$71,000.00 per year more than the weighted average transportation costs incurred on the same raw materials by four of their major competitors in Ontario and Quebec. The Maritime companies estimated that in addition they must bring into the region at least 3,000 other components in varying quantities which incur transportation costs far higher than the transportation costs incurred by their competitors in Central Canada.

17. For the Atlantic manufacturer to be competitive with other manufacturers located close to the major markets, costly warehousing facilities must often be maintained in order to provide the over-night delivery service demanded by the trend to small inventories today. All these additional costs which are incurred by the Atlantic Provinces manufacturer and not by his central Canadian competitors mean many thousands of dollars which the competitors outside the region have available to them to channel into research, advertising or more attractive profits for investors.

#### *Incidence of Railway Costs—Atlantic Provinces*

18. It will be recalled from the Intercolonial rates and the Maritime Freight Rates Act that Maritime rates were never intended to bear the real cost of rail transportation. This is not to say that railways should not be reimbursed for their services but it is to say that the national policy of Canada never intended that the cost of transportation would restrict the ability of the region to participate in the economic growth of the nation as a whole. For this reason, originally



distance was de-emphasized by national policy respecting transportation for the Atlantic Provinces.

19. Bill C-120, however, re-emphasizes distances once again by relating rates more closely to railway costs. Such a policy may very well be necessary from a national transportation policy point of view but, it is submitted that it will aggravate the position of the Atlantic Provinces and render less effective the existing national policy respecting transportation for the Atlantic Provinces.

20. As stated earlier it was never intended that the commerce of the Atlantic Provinces should bear the real cost of transportation just as the national policy of the government of Canada, which is a part of Bill C-120, does not require the Western Grain farmer to bear the real cost of transportation of grain in those cases where the existing rates may not meet the railways' costs.

21. The cost of railway operations in the Atlantic Provinces is high. The nature of the region's terrain results in sharp curves and steep grades not found in other parts of Canada. For example, the heaviest grades in Canada are not found in the Rocky Mountains but in the Province of Newfoundland.

22. To illustrate the high costs of railway operations in Newfoundland, where the MacPherson Royal Commission on Transportation found rail losses of approximately \$6 million annually, the Canadian National Railways has this to say:

Of the 547 miles from St. John's to Port aux Basques...only 131 miles are level track.

The grades are steeper than those in the Rocky Mountains. More than 35 miles of track rise at from two to two and a half per cent grade, and three more miles are even steeper than two and a half per cent.

The sharpest curves on the Canadian mainland are six degrees. The Newfoundland Area can boast 35 miles of 10 to 12 degree curves, and nearly a mile of 15 degree curves. The sharpest curves can be found on the steepest grades.

As one veteran engineer...puts it, "Sometimes you are going uphill and at the same time you are going downhill, and you can be going round three curves all at once".<sup>1</sup>

23. Furthermore, the equated tonnage rating for the largest Canadian National locomotive within Newfoundland ranges from a low of 750 tons to 1,060 tons Eastbound from Port aux Basques to St. John's. On the other hand, a locomotive of approximate equal tractive capacity on the mainland has an equated tonnage rating ranging from 4,000 tons to 1,370 tons eastbound from Joffre, P.Q. to Sydney, N.S.

24. Recent studies carried out by some of the world's major railways indicate that operating costs on rail lines with heavy grades and sharp curves can be eight times as high as the operating costs on lines with easy curves and grades. Canadian National confirms that heavy grades have a significant effect on their costs.

25. While the new maximum rate control provisions of Bill C-120 will replace the former horizontal method of increasing freight rates, there is no guarantee that the railways will not continue to seek, and to secure, the greater share of their overhead costs from the shippers in the extremities of the country. The relating of rates to a fixed percentage above variable costs will mean that the long haul shipper with the higher variable costs per unit of traffic will continue to pay more absolutely to the railways' overhead costs, unless competition dictates otherwise, than the short haul competitive shipper.

26. In summary the position of the Atlantic Provinces relative to the rest of Canada has worsened since the passage of the Maritime Freight Rates Act

<sup>1</sup> "Keeping Track", July-August 1963, Vol. 6 No. 6 p. 17.



in 1927. The experience of the past coupled with discernible trends points to neither an improvement in the relative position of the Atlantic Provinces nor an arrest of the deterioration with the passage of Bill C-120. Instead, it is submitted that passage of the Bill would further aggravate the position of the Atlantic Provinces.

#### *Special Examination*

27. The Right Honourable Lester B. Pearson, Prime Minister of Canada, indicated the Government's appreciation of the problems respecting transportation in the Atlantic Provinces by his announcement in the House of Commons on October 20, 1964 that a "special examination into the problems relating to Maritime transportation and the Maritime Freight Rates Act" was to be undertaken. The Atlantic Provinces welcome this announced intention of the Government of Canada. It is submitted that such an examination must have as its primary objective the restoration, in this competitive transportation era, of the national policy respecting transportation for this region of Canada that was originally expressed in the intercolonial Railway rate structure and reaffirmed by the passage of the Maritime Freight Rates Act in 1927.

#### *Conclusion*

28. It is submitted that the rate "freeze" now in effect under the Freight Rates Reduction Act should be maintained for Atlantic Provinces' rates until the special examination referred to above has been conducted, completed and acted upon and, therefore, that Bill C-120 be amended by adding a clause thereto to the effect that, notwithstanding anything contained in the Bill, the freight rates in effect as of January 1, 1965 under the Freight Rates Reduction Act for the movement of traffic from, to and within the "select territory" as defined in the Maritime Freight Rates Act shall not be increased.

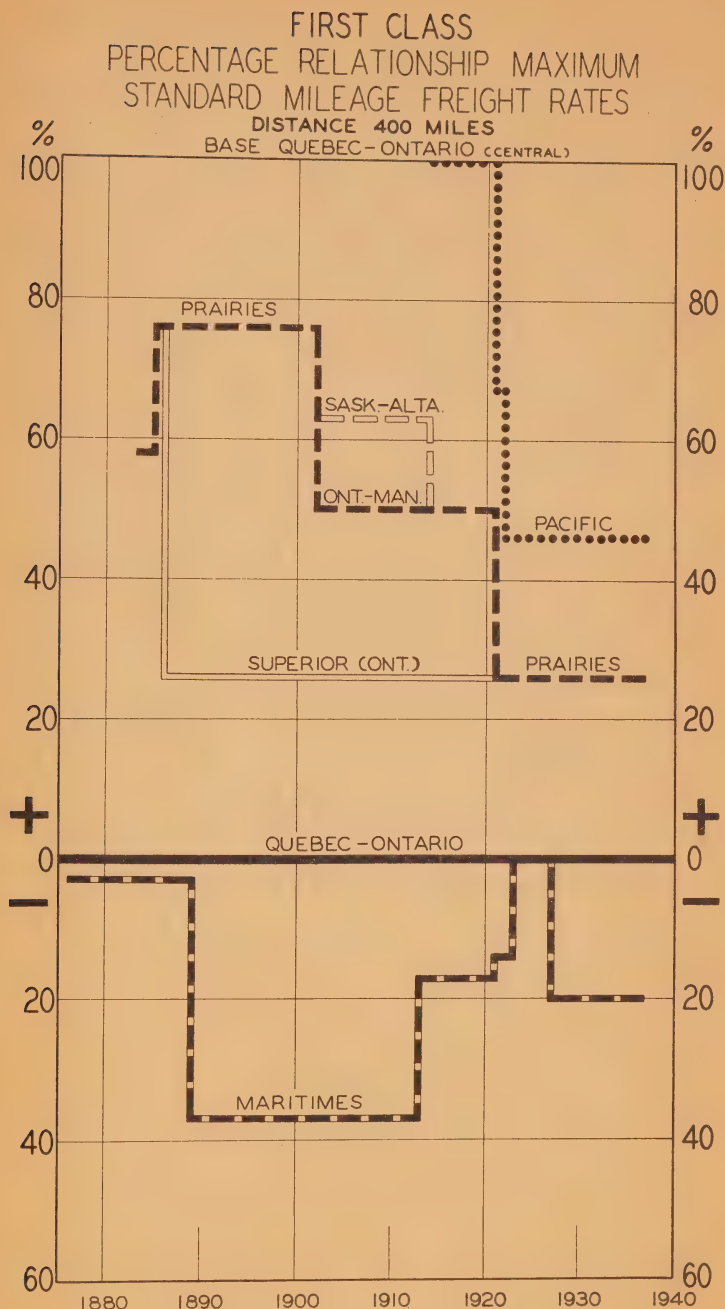
Respectfully submitted

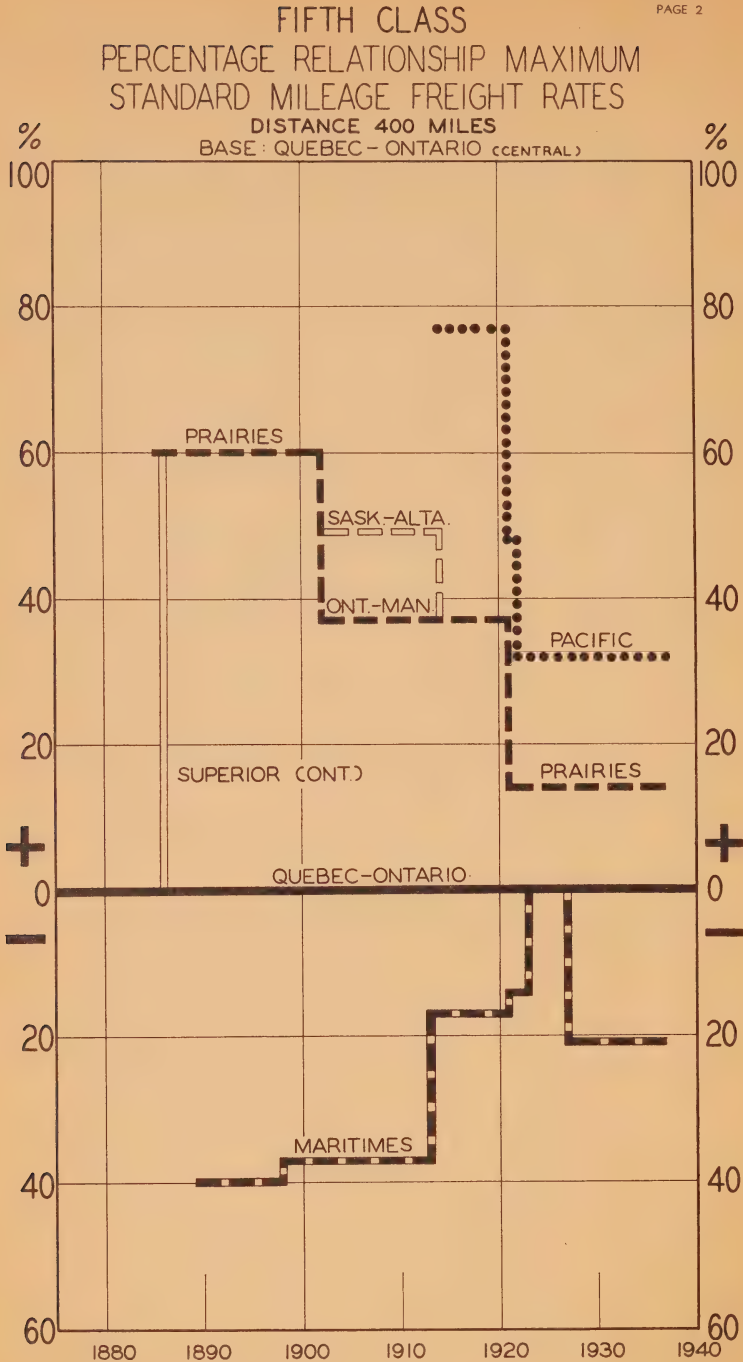
#### THE MARITIMES TRANSPORTATION COMMISSION

on behalf of the Provinces of Nova Scotia,  
New Brunswick, Prince Edward Island  
and Newfoundland

A. G. COOPER, Q.C.  
*of Counsel*

Moncton, N.B.,  
March 17, 1965.

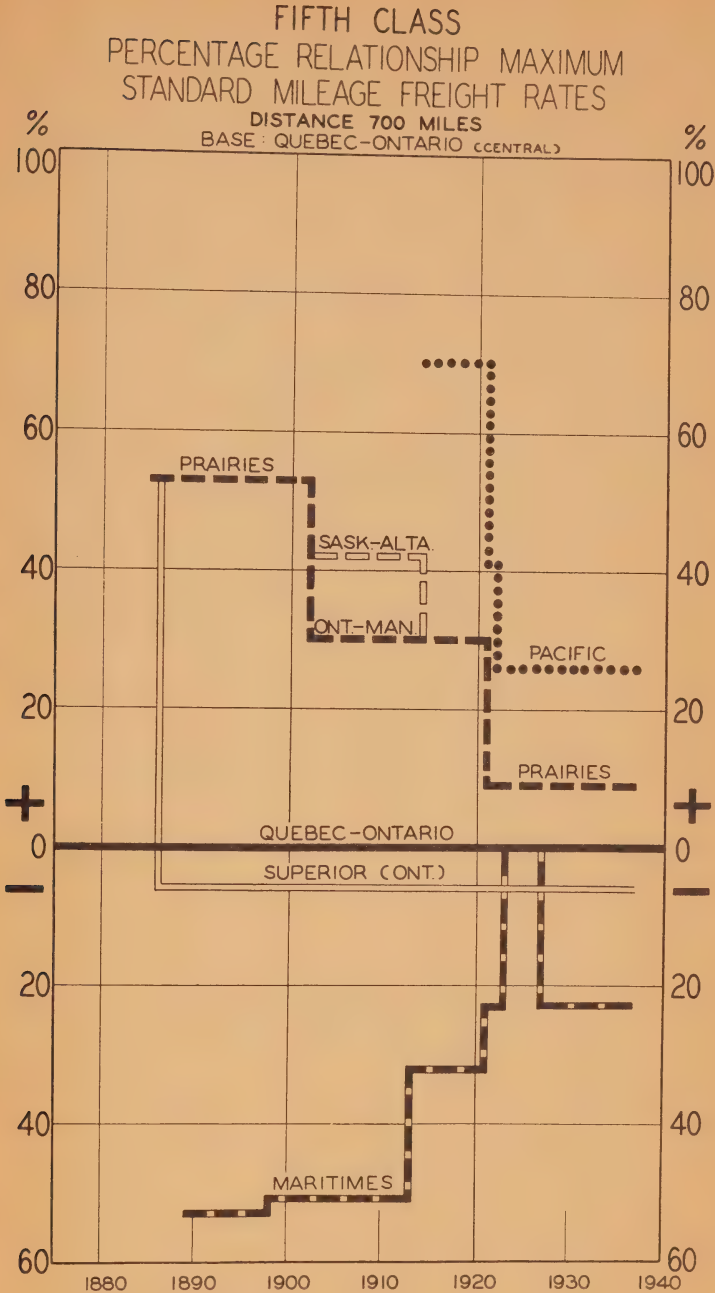
APPENDIX I  
PAGE 1SOURCE: R.A.C. HENRY AND ASSOCIATES:  
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 267



SOURCE: R.A.C. HENRY AND ASSOCIATES:  
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 270

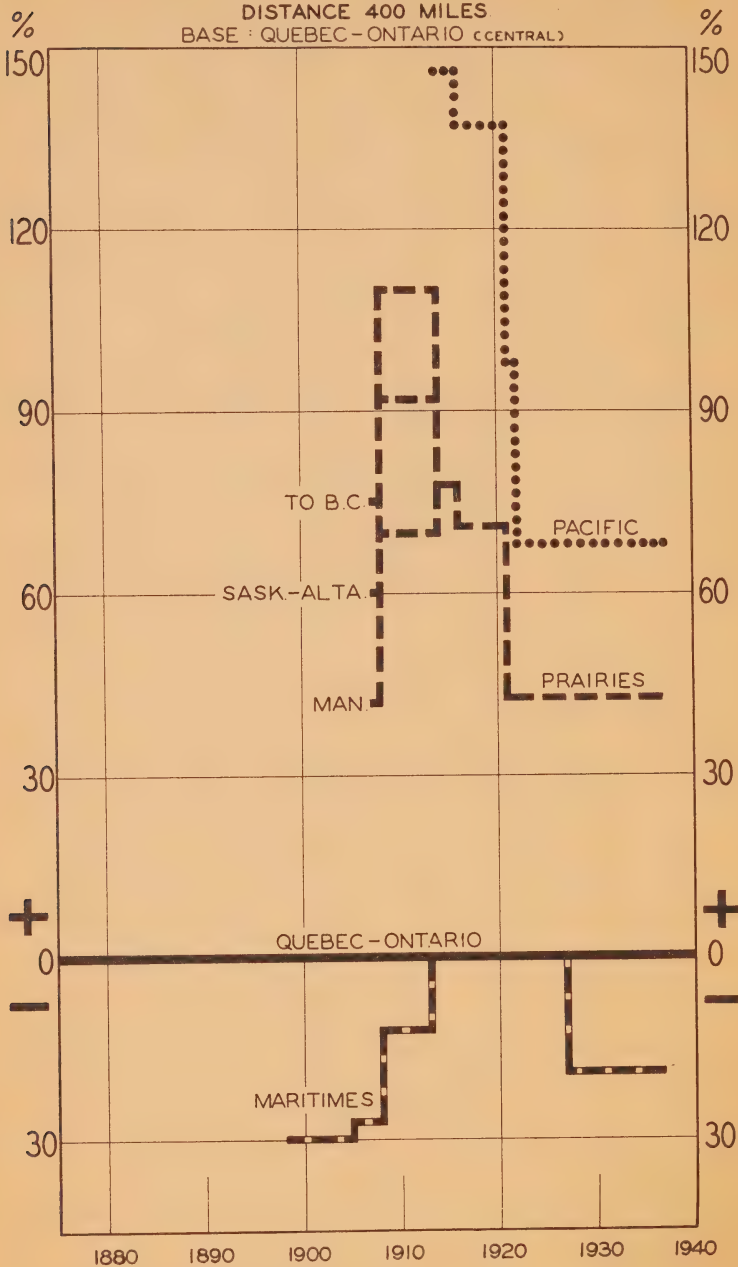


APPENDIX I  
PAGE 3

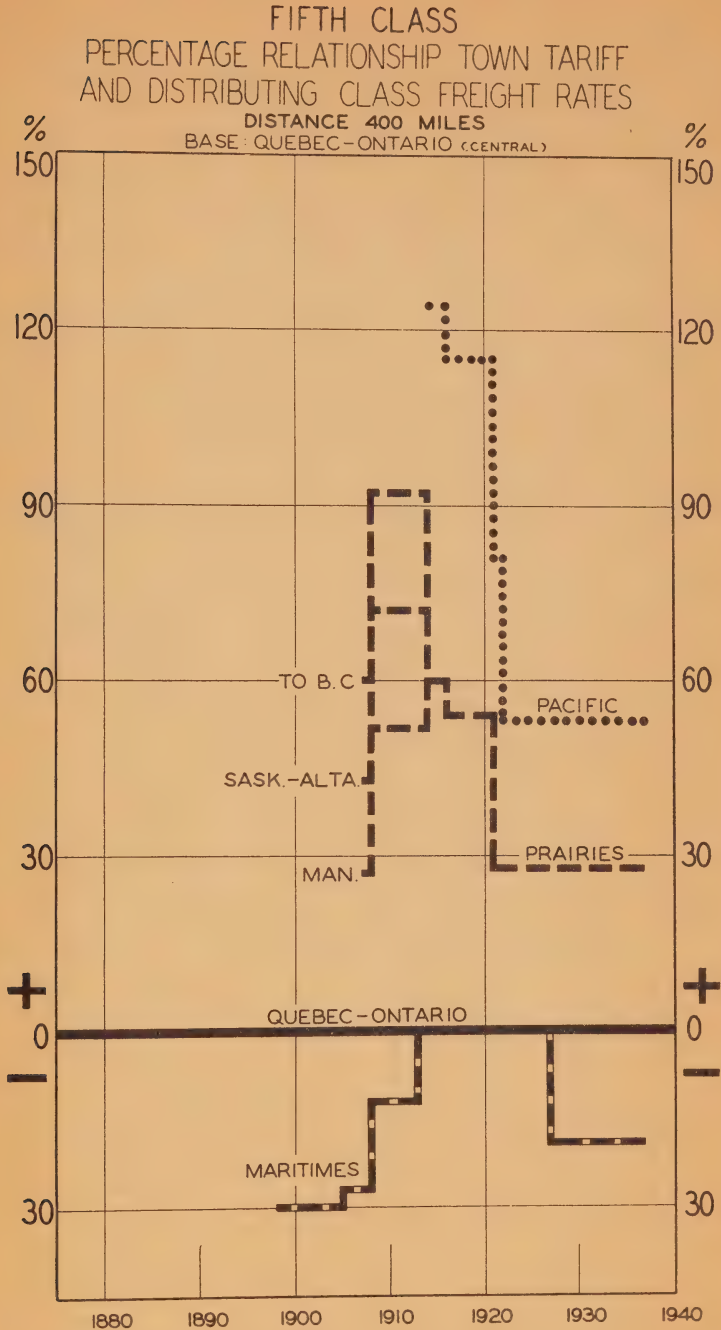


SOURCE: R.A.C. HENRY AND ASSOCIATES:  
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 271

FIRST CLASS  
PERCENTAGE RELATIONSHIP TOWN TARIFF  
AND DISTRIBUTING CLASS FREIGHT RATES



SOURCE: R.A.C. HENRY AND ASSOCIATES:  
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 276

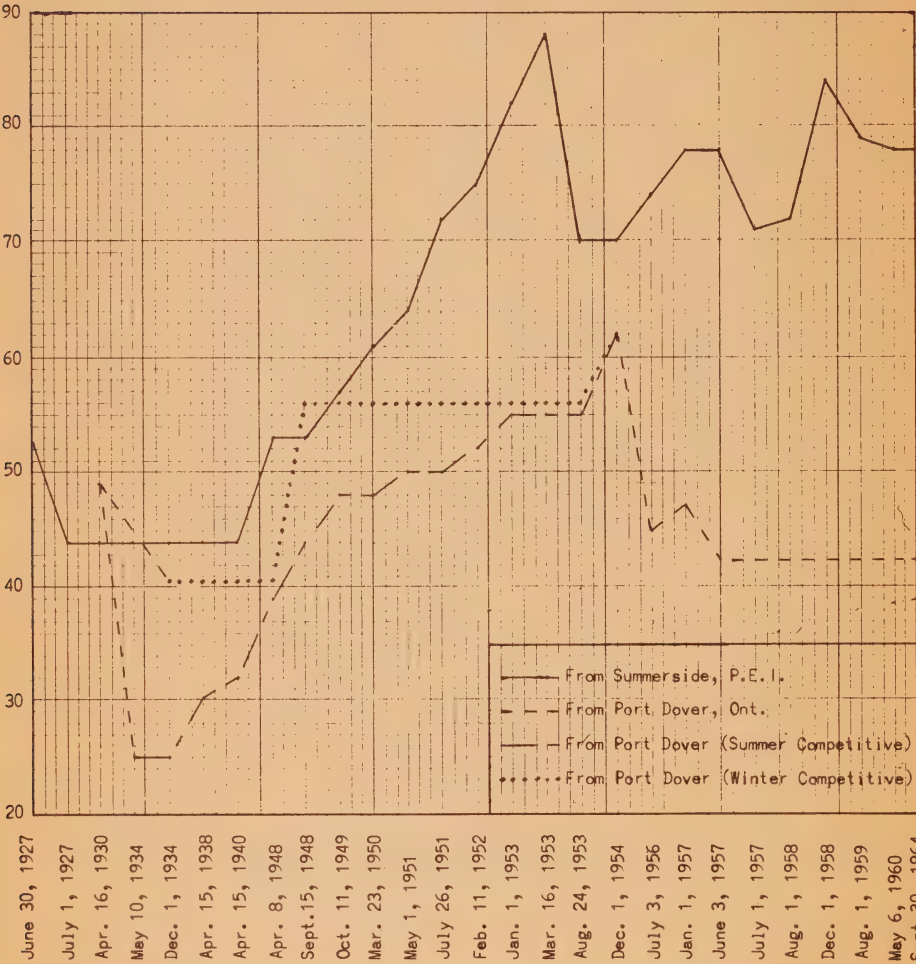


SOURCE: R.A.C. HENRY AND ASSOCIATES:  
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 278



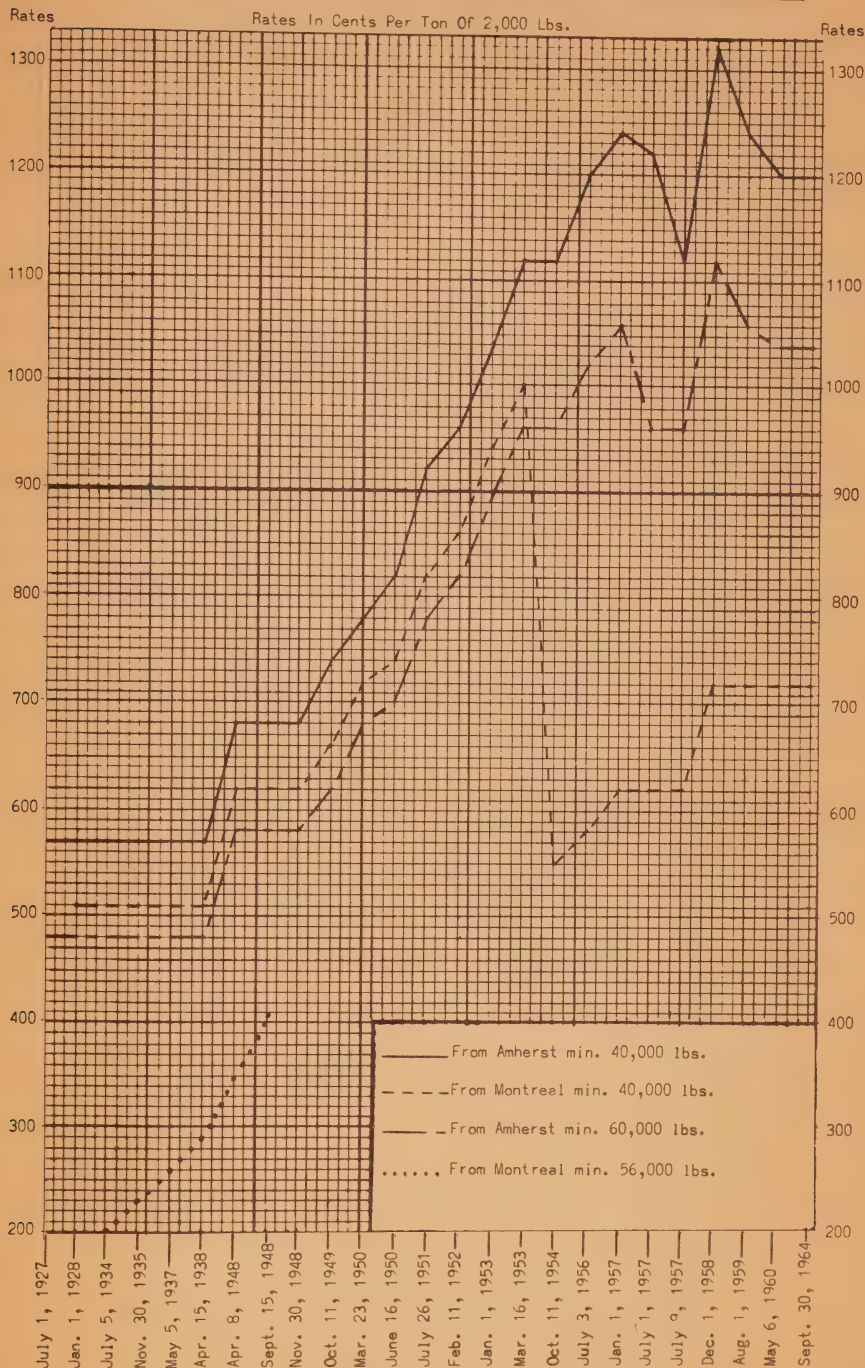
COMPARISON OF THE CARLOAD RAIL RATES ON CANNED MEAT PRODUCTS  
FROM SUMMERSIDE, P.E.I. TO MONTREAL, P.Q. WITH CORRESPONDING  
RATES FROM PORT DOVER, ONT. TO MONTREAL, P.Q.

Rates In Cents Per 100 Lbs.



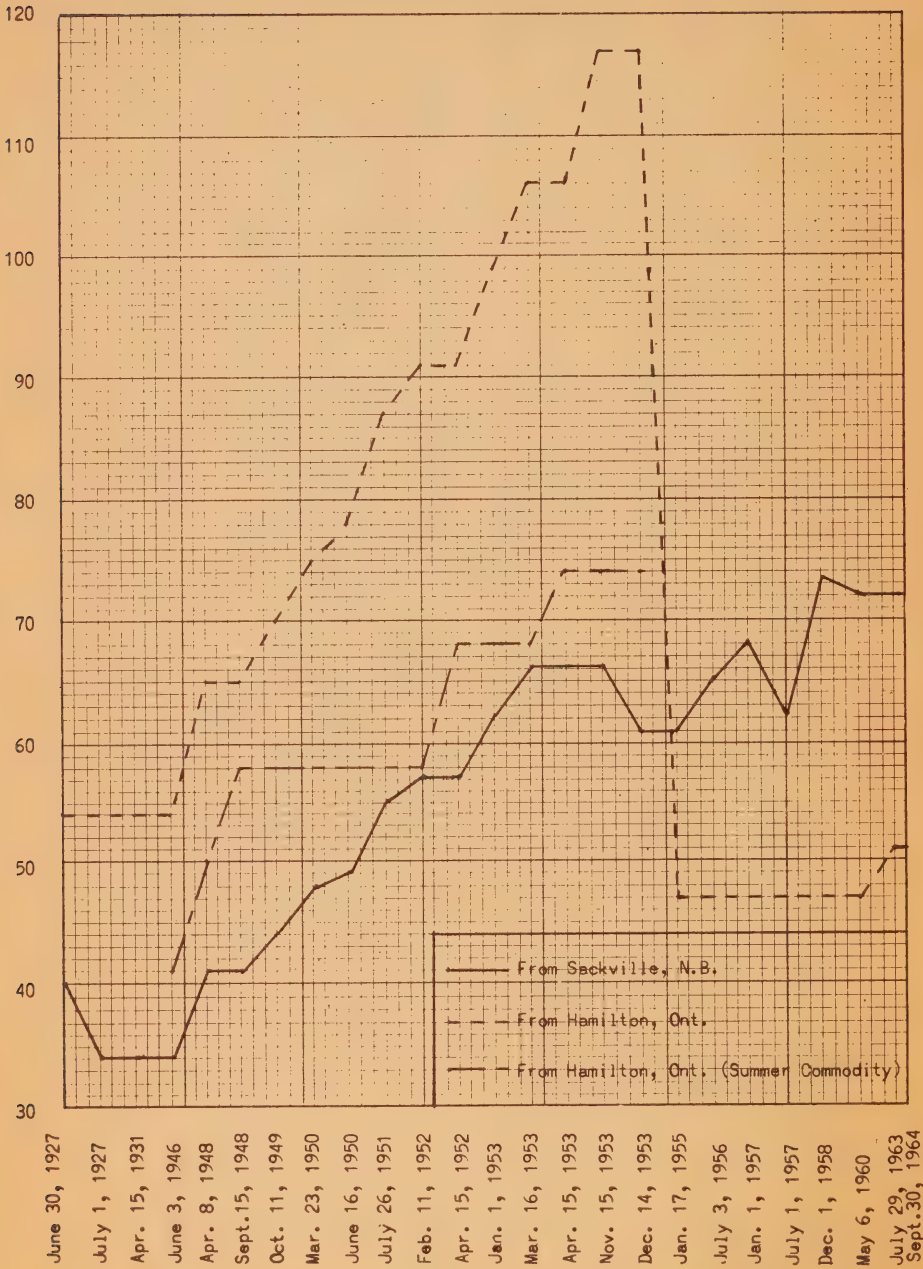
## APPENDIX 3

COMPARISON OF THE CARLOAD RAIL RATES ON STEEL BARS FROM AMHERST, N.S. TO QUEBEC, P.Q. WITH THE CORRESPONDING RATES FROM MONTREAL, P.Q. TO QUEBEC, P.Q.



COMPARISON OF THE CARLOAD RATES ON STOVES AND RANGES FROM  
SACKVILLE, N.B. TO MONTREAL, P.Q. WITH CORRESPONDING RATES  
FROM HAMILTON, ONT. TO MONTREAL, P.Q.

Rates In Cents Per 100 Lbs.

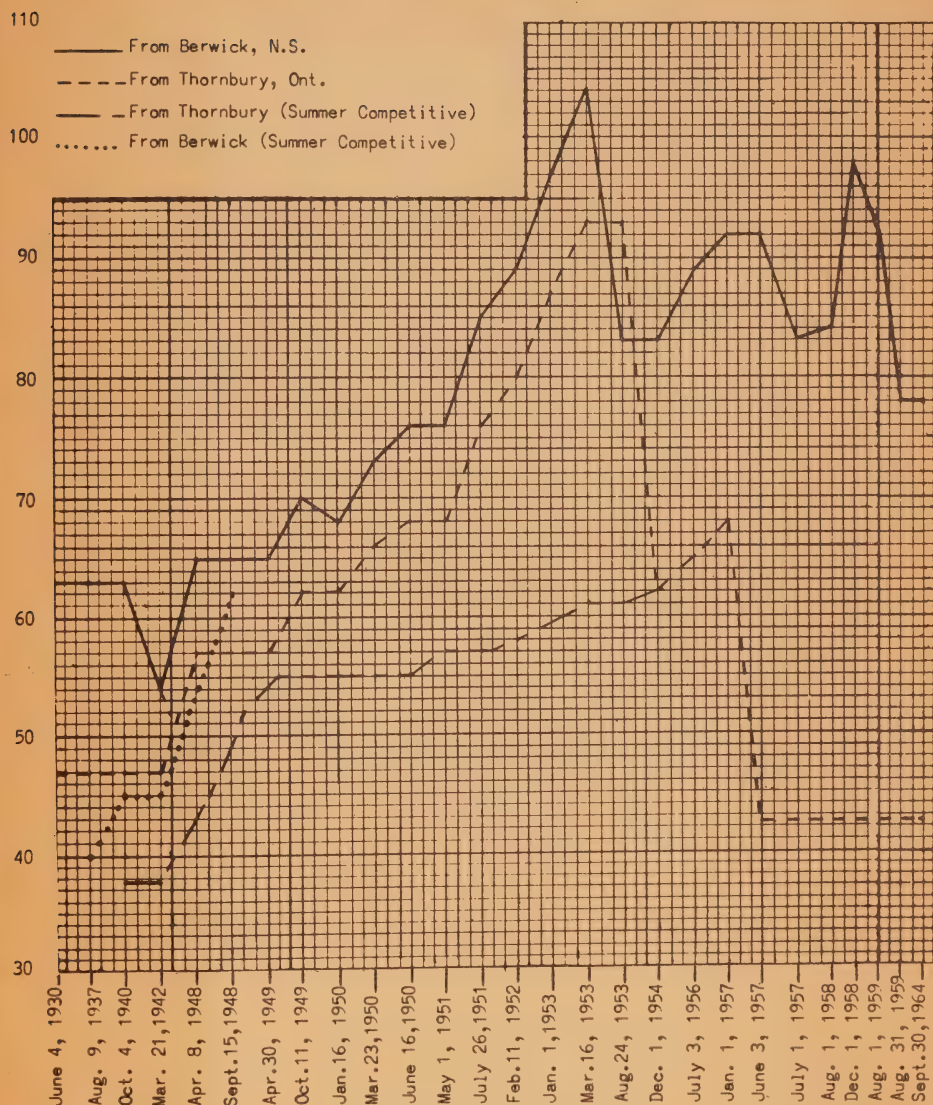




## APPENDIX 5

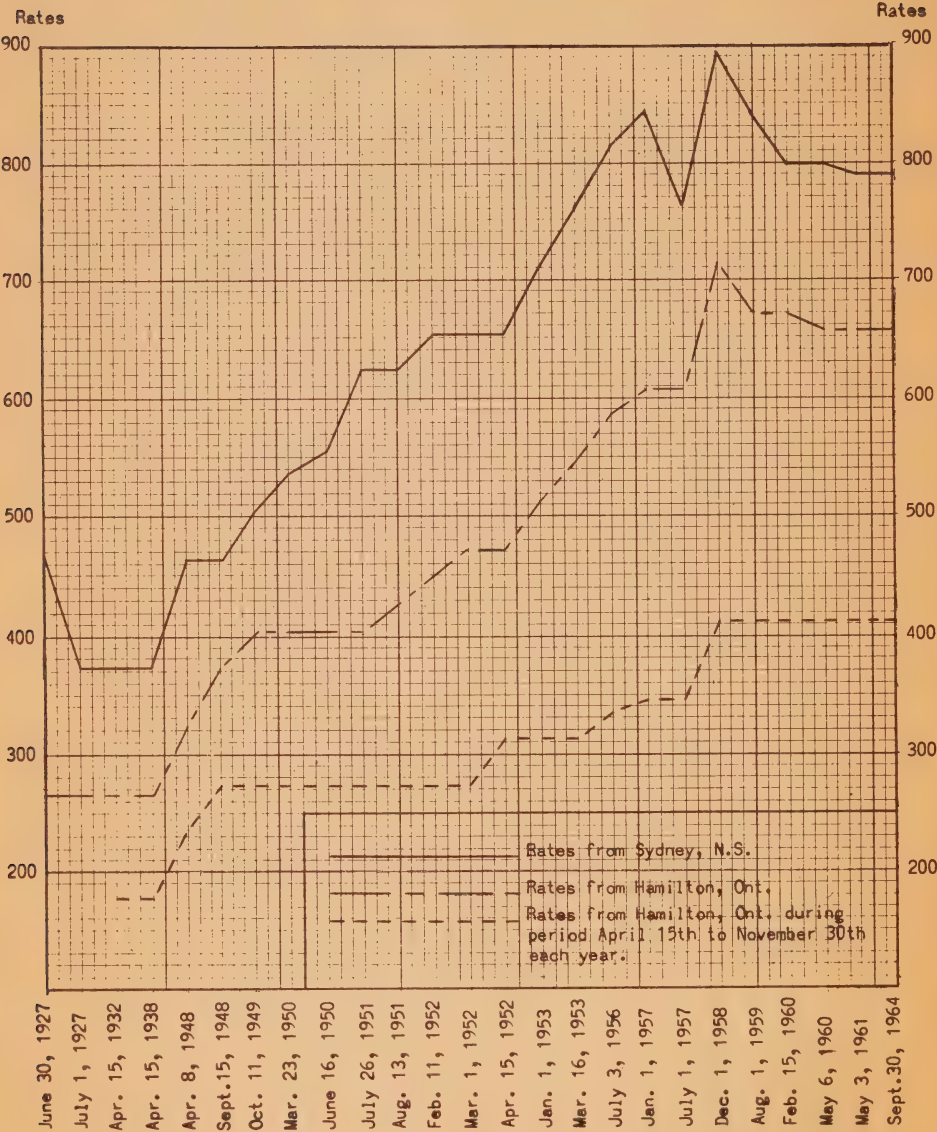
COMPARISON OF THE CARLOAD RAIL RATES ON CANNED APPLE  
PRODUCTS FROM BERWICK, N.S. TO OTTAWA, ONT. WITH THE  
CORRESPONDING RATES FROM THORNBURY, ONT. TO OTTAWA, ONT.

Rates In Cents Per 100 Lbs.



COMPARISON OF CARLOAD RAIL RATES ON BILLETS AND BLOOMS FROM  
SYDNEY, N.S. TO MONTREAL, QUE. WITH CORRESPONDING RATES FROM  
HAMILTON, ONT. TO MONTREAL, QUE.

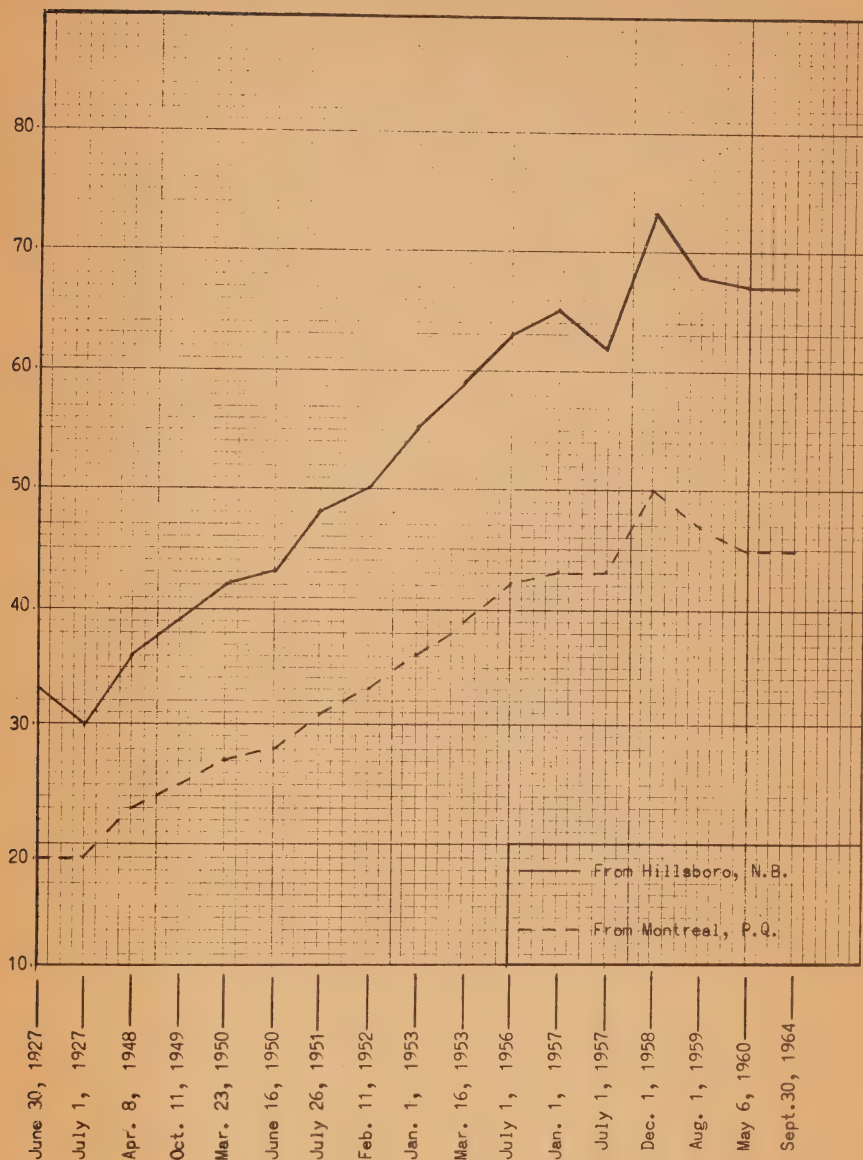
Rates In Cents Per 2,000 Lbs.



## APPENDIX 7

COMPARISON OF THE CARLOAD RAIL RATES ON WALL PLASTER FROM  
HILLSBORO, N.B. TO TORONTO, ONT. WITH THE CORRESPONDING  
RATES FROM MONTREAL TO TORONTO

Rates in Cents Per 100 lbs.





## THE MARITIMES TRANSPORTATION COMMISSION

Supplemental Submission of the Maritimes Transportation Commission  
to the Standing Committee on Railways, Canals and Telegraph  
Lines Respecting Bill C-120

1. The Maritimes Transportation Commission makes this Supplementary Submission with respect to Exhibit V entitled "Maritime Rate Preference Under Bill C-120" prepared by the Department of Transport under date of March 10, 1965.

2. Exhibit V refers to the first paragraph in the Report of the Duncan Commission on Maritime Claims and states:

That Commission found that the preferential position of the Maritimes in respect of rates on goods moving within the Maritimes, which shippers in that area had enjoyed for many, many years, had been reduced by successive rate increases and should be restored.

Section 7 (formerly Section 8) of the Maritime Freight Rates Act reads as follows:

7. The purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three Provinces of New Brunswick, Nova Scotia, and Prince Edward Island and in addition upon the lines in the Province of Quebec mentioned in Section 2, together hereinafter called 'select territory', accordingly the Board shall not approve or allow any tariffs that may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

3. It is submitted that the principal purpose of Section 7 was to give an advantage to Maritime shippers *relative* to persons or industries located elsewhere than in the select territory. Exhibit V states that the railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate but will still be subject to Section 7 and that the railways will have to consider whether any rate action taken elsewhere will "destroy or prejudice" advantages given shippers in the select territory "in favour of persons or industries located elsewhere." The Exhibit then continues:

This will be a question of fact and while it does not mean that every Maritime rate must be kept 30% below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in Section 7. In any case it will be open to shippers in the select territory to complain to the Board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that Maritime shippers continue to enjoy rate preferences.

4. It is the submission of the Maritimes Transportation Commission that in fact the relative advantage intended to be given to shippers from the select territory by Section 7 has in practice and in the competitive environment which has developed since 1927 proved to be illusory in the light of the judgments in *Province of Nova Scotia et al—Maritime Freight Rates Act—Tariffs* (1936) 44 *Canadian Railway Cases* 289 and on appeal to the Supreme Court of Canada (1937) 46 *Canadian Railway Cases* 161.

5. The facts of that case are, briefly, that in order to meet truck competition the railways reduced freight rates on potato shipments in certain areas in Ontario and also in certain areas in Quebec outside the select territory as defined in the Maritime Freight Rates Act. The Transportation Commission of

the Maritime Board of Trade and the Governments of the Maritime Provinces applied to the Board for a reduction in rail rates on potatoes from select territory to Ontario and Quebec to correspond with the reductions within Ontario and Quebec, effective under such competitive tariff.

6. It was made clear that the question of the rates on potatoes were only in the nature of a test case and that the real claim of the applicants was that they were entitled to reductions upon all shipments from the Maritime Provinces to points in Canada where motor truck competitive rail tariffs were in force and more specifically in respect of all produce of the Maritime Provinces.

7. The real claim of the applicants failed despite the fact that Chief Commissioner Guthrie held that the purpose and object of the Maritime Freight Rates Act does apply to competitive tariffs established by railway companies between points outside the "select territory". In effect the real claim failed because the Board held that:

- (1) the only power of the Board was to disallow such competitive tariffs;
- (2) the Board had no power to order reductions in rates on Maritime products moving from the select territory in circumstances where competitive tariffs were established outside select territory by the railways to meet truck competition.

8. Chief Commissioner Guthrie then proceeded to deal with the specific claim for reduction in rates on potatoes shipped from select territory as a question of fact and found that in fact there had been no prejudice or disadvantage under Section 7 suffered by potato shippers because of the establishment of the competitive tariffs in question. His conclusions in this respect is stated at page 306:

In my opinion the applicants have failed to establish the competitive tariffs on potatoes, which form the subject of this application, have resulted either in the destruction of, or to the prejudice of the advantages provided to shippers in the Maritime Provinces under the Maritime Freight Rates Act in favour of persons or industries located elsewhere than in the select territory. The evidence submitted by the various parties represented establishes to my satisfaction that in the matter of potato shipments in Ontario the whole difficulty has arisen through motor-truck competition with the railways. Shipments of potatoes in Ontario by rail to Ontario points have become almost negligible while motor-truck shipments continually increase. The competitive tariffs established by the railways have had no effect whatever in respect of potato shipments from the Maritime Provinces to Ontario points. Cancellation of these potato rates would not improve the position of Maritime shippers in any degree, and would only result in depriving the railways of the small portion of the transportation of potatoes in Ontario which they have been able to retain even under a substantial reduction of rates.

9. The Supreme Court of Canada dismissed the appeal of the Province of Nova Scotia et al from the judgment of the Board of Railway Commissioners.

10. As a result of the potato case so-called Maritime shippers as a body cannot obtain rate reduction relative to reductions elsewhere established by competitive tariffs. The relative advantage intended for persons and industries in the Maritimes (and now for the Atlantic Provinces) has therefore not been maintained and it is submitted that the intent of Section 7 has been thwarted.

11. It is stated in Exhibit V that it will be open to shippers in select territory to complain to the Board if their advantage is destroyed or prejudicially affected by the railways rate-making policies. If a shipper who takes upon himself the very considerable burden of applying to the Board succeeds in



establishing prejudice or disadvantage to himself under Section 7, the only remedy is cancellation of the competitive tariffs in question, not a reduction in the applicant's rate, and it is submitted that in the present competitive environment that remedy would be of no use to the shipper applicant nor to the railways but only to the trucks for the reasons given by Chief Commissioner Guthrie above quoted.

12. It is therefore quite unrealistic to say that the Atlantic Provinces shipper has any effective means of invoking Section 7 to overcome the effect on him of competitive tariffs established outside the select territory by the railways to meet truck competition.

13. Exhibit No. 1 filed by the Department of Transport shows a downward trend in the percentage of traffic measured in revenue and carloads which moves at non-competitive class and commodity rates in the several freight rate regions of Canada. While the Maritime territory, like the other territories, has had a decrease in the amount of traffic moved at non-competitive class and commodity rates, it still has the largest percentage of non-competitive traffic of any territory of Canada.

14. What Exhibit No. 1 fails to show is the effectiveness, or depth, of competition in the several territories. The showing of a percentage growth in the number of carloads, or the revenue produced by such carloads, of Maritime traffic moved at competitive and agreed charge rates does not show conclusively whether competition is effective in reducing rail rates or whether the competition is of a shallow type which has been able to make only minor reductions in the existing maximum rates.

15. The submission of the Maritimes Transportation Commission is that while the development of competition since 1949 has produced some minor rate reductions for Atlantic Provinces' traffic it has been far less effective in reducing Maritime rates than rates in other parts of Canada, particularly Ontario and Quebec. It is not possible to show in detail the depth to which competition has been able to reduce rates in the several regions of Canada. It is submitted, however, that Appendices 2 to 7 to the main submission of the Maritimes Transportation Commission, particularly Appendix 5, illustrate that competition for Maritime traffic has not been as effective in reducing rail rates as in Ontario and Quebec.

Respectfully submitted,

THE MARITIMES TRANSPORTATION  
COMMISSION

On behalf of the Provinces of  
Nova Scotia, New Brunswick,  
Prince Edward Island and  
Newfoundland.



## APPENDIX "I"

NATIONAL LEGISLATIVE COMMITTEE  
INTERNATIONAL RAILWAY BROTHERHOODS

MARCH 15, 1965.

The Chairman and Members of the  
Standing Committee on Railways,  
Canals and Telegraph Lines  
House of Commons  
OTTAWA, Ontario

Mrs. Rideout and Gentlemen:

On behalf of the National Legislative Committee, International Railway Brotherhoods, I wish to outline our views relative to Bill C-120.

Since 1957 we have, in our annual briefs to the Government, requested an amendment to Section 182 of the Railway Act. The historical background regarding Section 182 and other relevant sections have been placed before the Government and the Standing Committee on Railways, Canals and Telegraph Lines.

The amendment we are seeking is intended to give application to the principle of compensation to railway employees who lose their employment or are required to change their residence as a result of changes beneficial to a railway.

This matter was referred to the Standing Committee on Railways, Canals and Telegraph Lines on June 27, 1963.

The Committee held eight hearings and heard representations from representatives of all the Railway Brotherhoods, from the Railway Companies and from Mr. Howard Chase, C.B.E., a former member of the Board of Transport Commissioners.

On the 20th December 1963, the Standing Committee reported to the House of Commons as follows:

Complying with an Order of the House, on June 27, 1963, your Committee has given consideration to the subject matter of Bill C-15, An Act to amend the Railway Act (Responsibility for Dislocation Costs), and has heard evidence from representatives of the railways, from officials of various brotherhoods of railway employees, and from Mr. Howard Chase, a former member of the Board of Transport Commissioners.

The Committee was favourable to the subject-matter of Bill C-15 commends it to the House and the government; and to further clarify our views on the situation relating to the subject-matter, the Committee recommends that—

The government give consideration to amending Section 182 of the Railway Act to ensure the rights of railway employees in those cases where abandonment, merger or co-ordination between railways, or the closing or near-closing of terminals and shops or the introduction of 'run-throughs' is undertaken by the management.

The Committee would prefer that such matters as adjustment, compensation, re-training arrangements, and other ameliorations of the dislocation be a matter of negotiation between management and the employees legitimate bargaining agencies but it recognizes that a strong encouragement of such means of settlement will ensue when Section 182 is read in such a legal way as to offer firm protection to the employees.

Subsequent to the report of the Standing Committee, we have requested the Government to introduce legislation designed to implement the recommendation of the Committee.

On September 14, 1964, the Honourable J. W. Pickersgill introduced in the House, Bill C-120, An Act designed to implement certain recommendations of the Royal Commission on Transportation. When speaking to the resolution on the Bill, the Honourable Minister, beginning on page 7981 of *Hansard*, said in part—

With respect to what the Government will be proposing, I may say that of course we are taking our responsibility as a government for the proposals in general, but it is the intention of the government to have this bill sent after second reading, provided the House sees fit to give it second reading, to the Railway Committee, because it is of such vast importance to everyone in the country. We think it would be quite unreasonable to take any other course. We would expect that the Committee would hear representations from all seriously interested bodies.

In line with the Honourable Minister's statement, we have no choice but to express disappointment in the fact that the Committee's recommendation that Section 182 be amended is not contained in Bill C-120.

Bill C-120 does contemplate the payment of compensation to railway employees by a railway company as the Board of Transport Commissioners deems proper for any financial loss caused to them by change of residence necessitated by an abandonment pursuant to Section 168, subsection (1) or paragraph (b) of subsection (3) of Section 314B of the Bill. However, it is our opinion that the contemplated amendment falls pitifully short of what is necessary.

To date, the Canadian National and Canadian Pacific Railways have applications filed with the Board of Transport Commissioners seeking leave to abandon a total of 3797.1 miles of railway lines in Canada. Of this total, 3507.8 miles are located in the Prairie Provinces.

It is obvious that there will be numerous employees who will be required to change their residence when abandonments of such magnitude take place, regardless of when they take place. It is also obvious that as a result of the relocation of such a large number of employees, there will be the inevitable resulting severance from employment for a considerable portion of the work force.

Bill C-120 is silent as to the companies having any responsibility for those who will be severed from employment, despite the fact that the same legislation will create the condition.

The bill offers firm positive financial assistance to the Railways in the order of 80 millions of dollars and indeed sets out in great detail how they will be eligible for such assistance. On the other hand, the employees will be required to plead their cause before the Board of Transport Commissioners.

The contemplated legislation will require railway employees, as taxpayers, to contribute financially to the railways, which means that they will be contributing to fewer employment opportunities for themselves.



Further, Bill C-120 suggests that the Canadian National-Canadian Pacific Act be repealed. As you know, this Act as amended in 1939 contains a schedule which sets out in detail the manner in which employees were to be compensated, both in cases of change of residence and loss of employment when either circumstance resulted from the application of the Act.

We insist that the Government has a moral obligation to accept full responsibility for the adverse circumstances that the changes to the Railway Act will bring about.

We have no hesitation in recommending that the schedule referred to be incorporated into the Railway Act so as to fulfil this moral obligation insofar as railway employees are concerned.

You will appreciate that our major interest and concern is for those whom we have the honour and the privilege to represent. However, we feel we would be remiss in our duty as citizens of Canada if we did not make the following observations—

Bill C-120 insofar as abandonment of uneconomic branch lines is concerned, establishes positive financial assistance to the Railways. However, it appears to offer no more than a postponement of inevitable economic ruin to the communities that will be adversely affected. We are of the opinion that there should be research conducted in order to determine how much social capital has been invested by the three levels of Government in those communities that will be affected. A study is required so as to determine what the social and economic implications will be. We suspect that the cost to Canada may well be in excess of the savings that the Bill is seeking to effect. Both the C.P.R. and the C.N.R. operate at a current annual profit and the provisions of Bill C-120 guarantee perpetuity of the profit system for the Railways. On the other hand, aside from contemplating an orderly disappearance of communities, there is no provision for financial assistance to the people of those communities.

Government policy, based on sound judgment or not, was responsible for the Railways being where they are and a debt is owing to all those persons who followed the railway construction and established the towns with all their social amenities.

Bill C-120 seeks to subsidize the Railways for losses growing out of the operation of passenger service. Recently, the C.N.R. has entered into competitive philosophy for a share of passenger service. Indeed, the advertising, reduced fares, the improvement of schedules and the use of modern equipment resulted in both Railways being offered more traffic than they could accommodate. We are fearful that the contemplated subsidies may have the effect of creating a situation whereby the railway companies will again back away from true competition for passengers.

The McPherson Commission recommended the formation of a National Advisory Council and a Transportation Statistics Committee.

The establishment of such a Council and Committee should be prior to any attempt to legislate on a piecemeal basis for railways alone.

The establishment of the above-mentioned Committees would assist the Government in formulating a national transportation policy. Legislation could then be introduced to implement a policy that would serve the best interests of all Canadians.

We would respectfully submit that Section 182 should read in full as follows:

The company shall not, at any time, make any change, alteration or deviation in the railway, or any portion thereof, until the provisions-



of Section 181 are fully complied with, nor may it move, remove, close, or abandon any station, or divisional point nor create a new divisional point, nor make any change in operations by way of of substituting persons of lower rank at stations or elsewhere, or changing or transferring operating centres or terminal points, which, in any such case, involves the removal of employees, without leave of the Board; and where any such change, move, removal, closure, abandonment, creation, substitution, transfer, or replacement is made the company shall compensate its employees as the Board deems proper for any financial loss caused to them by change of residence necessitated thereby; the provision for compensation given under this section shall apply to abandonments approved under Section 168.

We recommend that concurrent with your consideration of Bill C-120, you re-affirm the recommendations of the Standing Committee which considered the matter of Bill C-15.

The suggested recommendations would remove an injustice to employees affected by abandonments, and, as well, make consistent the treatment accorded employees incurring removal through railway changes and alterations generally.

Yours truly,

J. A. Huneault,

Chairman,

National Legislative Committee,

International Railway Brotherhoods.









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